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Argentina	1,400	Iran	1,350	U.S.	1,000
Australia	225	Italy	2,000	France	1,700
Belgium	800	Japan	1,100	Germany	800
Canada	2,000	South Korea	1,100	Spain	1,100
Denmark	1,200	Sweden	1,100	Switzerland	1,100
Finland	1,100	United Kingdom	1,100	U.S.	1,000
Greece	1,100	West Germany	1,100	Yugoslavia	1,100
Ireland	1,100	Poland	1,100	Czech Republic	1,100
Netherlands	1,100	Slovakia	1,100	Slovenia	1,100
Norway	1,100	Latvia	1,100	Lithuania	1,100
Portugal	1,100	Estonia	1,100	Belarus	1,100
Spain	1,100	Ukraine	1,100	Belgium	1,100
Sweden	1,100	Poland	1,100	Czech Republic	1,100
Switzerland	1,100	Slovakia	1,100	Slovenia	1,100
U.S.	1,000	Yugoslavia	1,100	Czech Republic	1,100
U.K.	1,100	Poland	1,100	Czech Republic	1,100
France	1,700	Germany	800	Spain	1,100
Italy	2,000	Japan	1,100	South Korea	1,100
Sweden	1,100	Sweden	1,100	Sweden	1,100
U.S.	1,000	U.S.	1,000	U.S.	1,000

A Good Friday Procession and a Standoff in Jerusalem



Christians carrying crosses in a Good Friday procession in Jerusalem. As thousands thronged the Via Dolorosa, Jewish settlers backed by a court order continued their occupation of a building complex in the Christian quarter of the Old City. Page 2.

Soviets Admit Katyn Massacre Lithuania Warned of Blockade

'A Grave Crime of Stalinism'

By David Remnick

MOSCOW — The Soviet Union admitted with "profound regret" on Friday that Stalin's secret police murdered nearly 15,000 Polish officers in the Katyn Forest in 1940. After decades of insisting that Nazi soldiers had killed the Polish officers, the Kremlin issued a statement that the government "declares that this tragedy is one of the gravest crimes of Stalinism."

Like its recent apology for the invasion of Czechoslovakia in 1968, Moscow's admission of guilt on Friday was a dramatic and long-awaited step in President Mikhail S. Gorbachev's declared intention to fill in the "blank spots" of Soviet history and to heal the long-standing resentments of the countries of Eastern Europe.

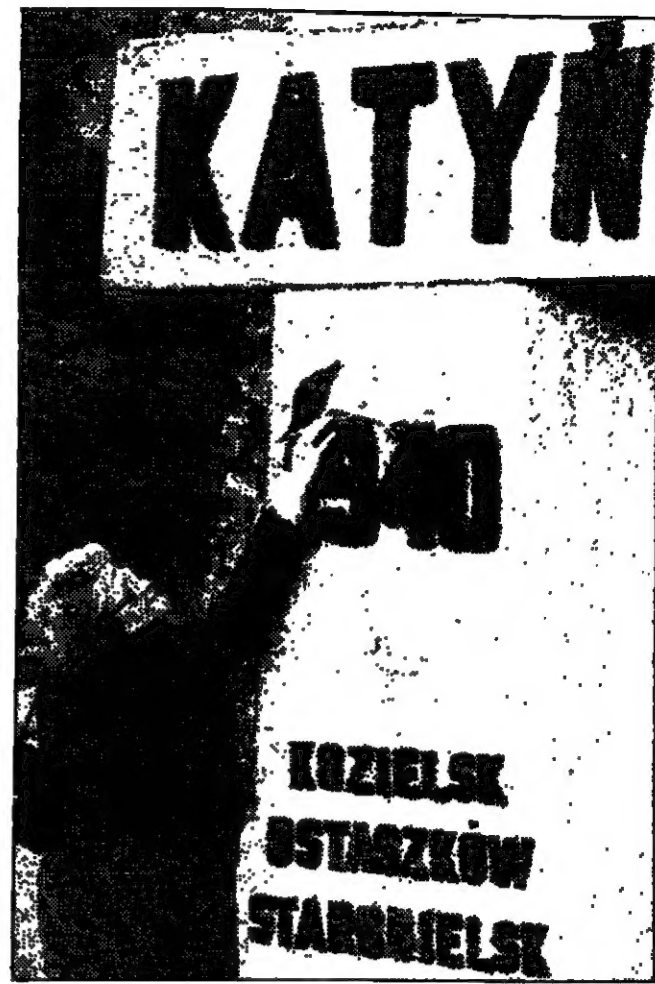
The Polish president, Wojciech Jaruzelski, who met Friday with Mr. Gorbachev, is scheduled to visit Katyn, near the Russian city of Smolensk, on Saturday. "The graves of the Polish officers are next to the graves of Soviet people who were brought there by the same evil hand," Mr. Gorbachev said during a luncheon with General Jaruzelski. "To speak about this is not easy, but it is necessary, because it is only through truth that we find the road to genuine renewal and genuine mutual understanding."

Mr. Gorbachev gave General Jaruzelski two boxes of documents found in the archives of the Soviet secret police that list the names of the dead officers and prove Stalin's guilt in the massacre.

The murders at Katyn have hampered Polish-Soviet relations for half a century. For many Poles, the massacre was the most brutal embodiment of the Soviet Union's imperial ambitions in their country and of Stalin's attempt to annihilate the Polish elite.

Mr. Gorbachev said that the Katyn issue had been a "historical knot" in Soviet-Polish relations and that lingering Polish resentment about it was "no secret" to the Soviet Union.

The Soviet leader clearly preferred to make the apology to General Jaruzelski, a Communist ally, in Moscow rather than to a Solidarity leader such as Lech Walesa or Prime Minister Tadeusz Mazowiecki. Especially for Soviet conservatives, who have bemoaned



A woman placing a rose on the Katyn monument in Warsaw.

the "loss of Eastern Europe" in 1989, the admission of guilt at Katyn undermined the legitimacy of the Soviet Union's dominance of Poland in the postwar era.

According to the government statement, Soviet archivists and historians had "just recently" discovered documents in the files of the secret police showing that 394 of the 15,000 Polish officers kept in three prison camps were consolidated in one camp, while the rest were turned over to the NKVD, the forerunner of the KGB, near Katyn in the Smolensk region.

"The discovered archival material puts direct responsibility for the atrocities in the Katyn Forest" on Stalin's notorious secret police chief, Lavrenty Beria, as well as his deputy, Vsevolod Merkulov, and other "henchmen," according to the statement.

Mr. Beria and Mr. Merkulov were executed in Moscow after Stalin's death in March 1953.

The attempt to make this admission appear as if it came at the end of a long scholarly quest rather than as the result of a political decision is reminiscent of another recent Soviet archival "discovery." After decades of denials, the Soviet Union acknowledged that it had signed a series of protocols with Nazi Germany in 1939 that led to the annexation of the Baltic states and eastern Poland the next year.

Moscow long maintained that the Germans had killed the Polish officers at Katyn in 1941. But historians outside the Soviet Union, and even some independent scholars in the Soviet Union, say that the murders took place in the spring of 1940, a year before the Nazis occupied the Smolensk region.

When a Polish military leader asked Stalin in 1941 what became of the thousands of officers, Stalin said: "They fled. To Manchuria."

Lithuania Warned of Blockade Gorbachev Gives Republic 2 Days To Annul Plans

By Michael Dobbs

MOSCOW — President Mikhail S. Gorbachev threatened on Friday to impose an economic blockade on Lithuania unless the Baltic republic annuls within two days legislation designed to bolster its declaration of independence.

Mr. Gorbachev's ultimatum, which was contained in a letter to the Lithuanian leadership, was the toughest action taken by the Kremlin in a monthlong war of nerves with Lithuania.

Lithuania depends on the Soviet Union for virtually all of its energy supplies, as well as for most other raw materials. In a telephone interview from Vilnius, the Lithuanian president, Vytautas Landsbergis, rejected Mr. Gorbachev's latest demands.

"The Kremlin is asking us to do the impossible," he said. "It's like asking someone to cut off their head. You can't compromise with that kind of demand."

He added: "Our economy may collapse, and we may revert back to a kind of natural economy. There are already long lines for gas in Vilnius. Soon people will simply get used to the fact that there isn't any gas."

According to the Soviet press agency Tass, Mr. Gorbachev accused the Lithuanian government and parliament of adopting legislative acts and decisions that "set Lithuania in opposition to other republics and the Soviet Union as a whole."

Tass said discussions with Lithuania had reached a "political dead end."

The Kremlin letter, which was also signed by Prime Minister Nikolai I. Rykzkov, said that unless Lithuania backed down, instructions would be given to stop supplies of products that the Soviet Union can sell in world markets for freely convertible Western currencies.

Such items would certainly include gas, oil and machinery, all of which are vital to the survival of the Lithuanian economy.

The statement stopped short of demanding the full retraction of Lithuania's independence proclamation of March 11.

Instead, it called for the rescinding of a series of related legislative acts, including the issuing of Lithuanian identity cards and a refusal to cooperate with the Soviet Army's conscription campaign.

"Such actions, the list of which continues, can no longer be tolerated," the letter said. "They aim to undermine political and socio-economic stability in the country, damage democratic processes, and seriously infringe on Soviet citizens' rights."

The ultimatum offered the Lithuanian leadership the stark choice of backing down or witnessing the gradual throttling of the Lithuanian economy.

The Soviet government has already in effect sealed off the republic from Western countries, controlling imports and exports through the Baltic port of Klaipeda.

See BALTS, Page 5

The Iraqi 'Gun': Some Parts Were Sent

Compiled by Our Staff From Dispatches
LONDON — Iraq has already received 44 castings identical to eight sections seized as suspected parts of a gigantic gun, the maker said Friday.

"I am sure that most people will recognize the absurdity of suggestions being made that these parts are in fact guns," said Tony Peck, spokesman for Sheffield Forgemasters.

"He said the eight sections were random parts of a 26-section as-

sembly that would be 156 meters (515 feet) long.

The British Customs and Excise service blocked the shipment, saying the castings could be used to make a 40-meter-long gun barrel, which would be the longest ever made.

Military experts say that such a gun could be used to fire chemical weapons, or nuclear warheads, at Iran or Israel.

The chief customs investigator, Douglas Tweddle, said the castings could be used "as the barrel of a

large artillery gun to fire a projectile of some considerable size."

He reached his conclusion after advice from an expert from the Royal Ordnance Research and Development Establishment.

Other military experts listed the technical difficulties in building and firing such a weapon.

The cylinders would have to be tough enough to withstand the huge ballistic pressures needed to fire shells. The length of the barrel would have to be supported, and

the accuracy of the missiles was questionable.

Iraqi officials have said the castings, formally seized by Customs officers on Thursday, are intended for use in a petrochemical plant.

The company said that it had two contracts for 26 sections each, and that it had delivered 44 sections to the Ministry of Industry and Minerals in Baghdad.

"All consignments to date have been for Iraq," Page 5

Soviet Military Is Trying to Reassert Itself, Rand Report Says

Influence of Armed Forces Appears to Be Growing

By Michael R. Gordon

New York Times Service

WASHINGTON — The Soviet military, unhappily over President Mikhail S. Gorbachev's policy of reasserting itself in Moscow, according to specialists from the Rand Corp.

The specialists said in recent weeks the influence of the military appears to have grown because Mr. Gorbachev needs the armed forces to help deal with ethnic disputes, particularly the crisis in Lithuania, the republic that is seeking to reassert its independence from the Soviet Union.

The increase in the military's influence may account for the toughened stance Soviet officials took in Washington last week on some arms-control issues, including what limits should be placed on the deployment of cruise missiles, said

Arnold L. Horelick, an expert at Rand, a government-financed research center.

Mr. Horelick, a former U.S. intelligence analyst for Soviet affairs, said the growing military influence may portend a less accommodating position in talks over German reunification.

The assessments by the experts came as Rand issued a report on the Soviet military under Mr. Gorbachev that was based in part on interviews with Soviet military officials and a study of the Soviet press.

Access to Soviet officials has been possible in recent years as a result of Mr. Gorbachev's policy of *glasnost*, or openness.

The Rand experts disagreed on whether the resurgence of military influence was temporary.

As Rand issued the report, a senior Pentagon

See SOVIET, Page 5

Kremlin Considers Accelerated Economic Change

Washington Post Service

MOSCOW — President Mikhail S. Gorbachev and his advisers are scheduled Saturday to consider a radical plan to accelerate economic change in the Soviet Union.

One element of the plan would denationalize large chunks of state-run industry by turning it over to joint stock companies and semi-private cooperatives.

Also under consideration is the possibility of deregulating 70 percent of prices and denationalizing 70 percent of the Soviet state sector. At present, at least 90 percent of economic activity in the Soviet Union is controlled by the state.

The head of a parliamentary commission said the proposals were likely to lead to a doubling of prices over the next year.

Price changes are the most controversial element in proposals to introduce a market economy in

place of the grossly inefficient system of central planning introduced by Stalin in the late 1920s.

The government's economic plans will be discussed by Mr. Gorbachev's advisory council on Saturday. The council has been expanded to include representatives of all 15 Soviet republics. They are due to be presented to the Supreme Soviet, or standing legislature, before the end of the month.

"Prices are expected to go up twofold on average on the range of goods across the country," said Pavel Bunich, who heads the Supreme Soviet's Commission on Economic Reform. "This is a very rough estimate and there have been no precise calculations."

Mr. Bunich said that retail prices for the consumer would probably not rise until January and

See ECONOMY, Page 5

Opposition Will Lead In Nepal

By Sanjoy Hazarika

New York Times Service

KATMANDU, Nepal — King Birendra agreed Friday to allow the opposition to lead a new government, the principal opposition leader said after talks with the monarch.

At a 65-minute meeting with Ganesh Man Singh, a leader of the Nepali Congress Party, which successfully led the pro-democracy movement here, the king initiated a series of steps that are likely to establish the country's first multi-party government in 30 years.

The government would include members of various Communist factions that cooperated with the Nepali Congress in the movement for multiparty democracy.

The moves by King Birendra to break a five-day political stalemate over the formation of a new government took place on the eve of Nepal's new year. The king is scheduled to make a nationwide broadcast over radio and television on Saturday.

The meeting, at the royal palace, was also attended by Prime Minister Lokendra Bahadur Chand, whose resignation is being sought by Mr. Singh. It took place less than two days after the opposition

See NEPAL, Page 2

For Bush, Diplomacy Takes the Personal Touch



Mr. Bush meeting Friday in Bermuda with Mrs. Thatcher. The two leaders discussed the rapid changes in Eastern Europe.

By David Hoffman

and Don Oberdorfer

Washington Post Service

WASHINGTON — When President George Bush was the Brazilian president-elect, Fernando Collor de Mello, in the Oval Office on Jan. 26, he asked him to take a private message to President Mikhail S. Gorbachev on a forthcoming visit to the Kremlin.

Four weeks later, Mr. Bush telephoned Mr. Gorbachev directly, only the third time in history that a U.S. president got the Soviet leader on the telephone.

One of the first things Mr. Bush asked, a source said, was, "Did you get my message?" This informal communication illustrates what has become an important new facet of international diplomacy — intense, personal interaction among world leaders, often relying on the telephone, the jet plane and even the telex machine to shrink the oceans and continents that divide them.

The trend has been especially encouraged by the chosen techniques of Mr. Bush and Secretary of State James A. Baker 3d, who share a penchant for personal diplomacy. They like to bypass ambassadors, experts and bureaucrats,

See BUSH, Page 5

'It's Time For Talks,' Bush Says

By Andrew Rosenthal

New York Times Service

HAMILTON, Bermuda — Speaking with unusual force about the Lithuanian crisis, President George Bush and Prime Minister Margaret Thatcher of Britain said Friday that reports of a Kremlin ultimatum to the Baltic republic were "deeply disturbing."

Mr. Bush said imposition of economic sanctions against Lithuania would violate Moscow's stated policy of seeking to resolve the stalemate over Lithuania's bid for independence without force.

"Now is no time for escalation; it's time for talks," Mr. Bush said, speaking for himself and for Mrs. Thatcher at the outset of a joint news conference here.

Mrs. Thatcher added: "We've come a long way in relations between the Soviet Union and the free world. We wish that improvement to continue, but it could not continue if the Soviet Union were to resolve this by force."

Neither Mr. Bush nor Mrs. Thatcher would say what they would, or could, do if President Mikhail S. Gorbachev carried out a threat to suspend shipments of raw supplies, possibly including oil and natural gas, to Lithuania in two days. The two leaders also tried to

See TALKS, Page 5

Kiosk

Creditors Veto Eastern's Plan

NEW YORK (Reuters) — Creditors of Texas Air Corp.'s Eastern Airlines said Friday that they had rejected the carrier's latest bankruptcy reorganization proposal. The plan, which was put forward by Eastern on Thursday, would pay creditors only a fraction of what they are owed.

A lawyer for Eastern also said that the carrier would need additional cash from its escrow funds by Tuesday. Eastern has been attempting to reorganize since it entered Chapter 11 bankruptcy protection proceedings more than a year ago.



A year after 95 people died at England's Hillsborough Stadium, the healing is still painful and slow. Page 14.

General News

Preterea has done little to ease blacks in Natal from the brink of civil war. Page 2.

The dissident Chai Ling said she escaped thanks to ordinary Chinese citizens. Page 2.

Many U.S. residents have not received a census form or have chosen not to reply. Page 3.

Business/Finance

U.S. producer prices fell in March, but there were signs on inflation pressures. Page 11.

BTR said 64 percent of its takeover target, Norton Co., was tendered to it. Page 11.

Crossword Page 13.
Weather Page 2.

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Herald Tribune

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Bracing Before the Wind

It is wrong to assume that, because Chancellor Kohl is riding high in Germany, there is no longer any need to worry about the German commitment to the Atlantic alliance.

Mr. Kohl's triumph in the East German election in March improved his chances of winning the West German one in December, but the subsequent dispute over the Deutsche mark exchange rate shows that the December election is by no means a certainty. The Kohl government sounds much firmer than the opposition Social Democrats about the need to keep a united Germany in NATO, but it will not necessarily stay that way. Germany's allies still have a powerful persuading job to do; they had better have their arguments ready.

The neutralist wind will be strong in Germany next year, whoever wins December's election. The Soviet Army will have pulled out of Czechoslovakia and Hungary by the middle of 1991. The reduced garrison that the Vienna negotiations may allow the Soviets to keep in eastern Germany will look increasingly peculiar, and therefore permanent. The Germans will be feeling the heady exhilaration of unity.

On present evidence, this will produce two reactions from different kinds of German. On the neopacifist left, the argument will be that there is no longer anything Germany needs to be protected against, and so the Americans and the other NATO allies can take their soldiers home. On the neoconservative right, the presence of those soldiers will be seen as an affront to the new Germany. This will be a powerful combination. The Social Democrats can certainly bend to this wind. Despite his brave words, it is not conceivable that Mr. Kohl might say, in one way or another, they too must have access to nuclear arms.

What arguments to put up against the wind? That Russia, of course, will one day again be a military problem for Europe—either a rebuilt, efficient Russia if perestroika succeeds, or an angry, lumbering, wounded Russia if perestroika collapses. This may not be enough to convince Ger-

mans yearning to believe that the world has fundamentally changed. The same applies to the fact that in the next few years Europe could face new dangers on its southern flank, against which it will need to stand together—and will be glad of American help.

It is best for those who want to preserve the Atlantic alliance to speak out, calmly and politely. One part of the case for keeping NATO in being, and keeping some U.S. troops in Germany, is Germany itself.

In the past few weeks the awkward matter of first greeted the prospect of German unity has given way to something clearer. Most of Germany's neighbors have made it plain that, though a united Germany is both right and inevitable, they are uneasy about the power this Germany will wield. The Germans know that, if the uneasy persists, it will be harder for Germany to pursue the policies it wants to pursue in both Western and Eastern Europe. One way of calming the unease is for Germany to stay inside an alliance that has an even bigger power than Germany itself. In short, preserve America-in-Europe.

The sharpest part of the unease is felt by Germans as well as non-Germans. Powerful though it will be in all other ways, a united Germany starts life without nuclear weapons. The Soviet Union will still be a nuclear power. The Germans therefore wish to remain under the nuclear protection of the United States. But most people believe the plausibility of the American nuclear umbrella depends on the presence of American soldiers in Europe. If those soldiers go home, fewer people will believe in that umbrella. At some stage some Germans may therefore say that, in one way or another, they too must have access to nuclear arms.

The nuclear argument is a potential clincher. It touches the most sensitive nerve of all. It should appeal to many Germans—not least Social Democrats—as well as to all other Europeans.

INTERNATIONAL HERALD TRIBUNE

Experiments in the East

Hungary has voted for a sharp right turn, away from the Soviet Union and all the institutions that tied it to the East for four decades. But it will be years before Hungary or any of its Eastern European neighbors can hope to gain full access to the rich and stable European Community to the west.

Eastern Europeans have reason to fear that their region could again become the no-man's-land that it was between the world wars, when small countries were isolated and helpless in the collisions between larger powers. To protect themselves, the governments now coming to office will have to learn to work closely together. Some promising experiments seem to be taking shape.

Czechoslovakia's president, Vaclav Havel, called a meeting this week with Hungary and Poland. Some of those who attended had been thinking hard about the Benelux model. A customs union among three small countries of northwestern Europe, set up in times of great hardship and uncertainty after World War II, it contributed mightily to their spectacularly rapid recovery. Why not an East European customs union?

Since last fall four neighbors—Hungary, Austria, Yugoslavia and Italy—have been meeting to discuss their common economic and environmental interests. They are very different countries, but they have more in common than their borders. Each, at least in part, once belonged to the Austro-Hungarian Empire. There is a wave of nostalgia for the old empire in some of the lands it once governed—a nostalgia that is often romantic or silly or worse. But the old empire did manage to rule with a certain rough competence over an extremely diverse mixture of nationalities and ethnic groups.

Among those same nationalities and ethnic groups, a disquieting revival of ethnic quarreling is now becoming visible again. It is getting out of hand, as these countries should know from their experience in the 1920s and 1930s, it can quickly derange their politics and destroy their new democracies.

The big winner in the final round of the Hungarian voting last weekend was old-fashioned Hungarian patriotism, with its strongly nationalistic and, in some respects, chauvinistic overtones. It is going to take strong and capable international institutions to mediate these perennial disputes and prevent them from again inflaming the region. These countries hardly need an empire; they have just escaped from one. But having lived together in a Central European supranational institution before, they are well equipped by history to build better ones to see them into the 21st century. That offers a way for the Hungarians and their neighbors, now governing themselves at last, to make national and ethnic pride safe for themselves and each other.

—THE WASHINGTON POST

Too Stealthy by Half

Truth, it is often remarked, is the first casualty of war, but the U.S. Air Force has massacred the facts with unusual abandon in the matter of the Panama invasion. It let the defense secretary announce in December that two F-117A Stealth fighters had bombed their targets with perfect accuracy. But Michael Gordon of The New York Times recently photographed a bomb crater way off target, and Secretary Dick Cheney now wants the air force to explain its considerable economy with the truth.

Those mislabeled in military thought may wonder why aircraft designed to elude the formidable Soviet radar and air defenses were needed against Panama. At first the air force said that there were uncertainties about Panamanian air defenses. When it emerged that Panama had none, the air force said the F-117A was selected because pinpoint accuracy was essential.

Now that one of the two planes is admitted to have missed the target completely, the Defense Department's explanation is that the F-117A "was fundamentally chosen because of its night capabilities."

While the air force is making up its mind, it is hard not to infer a simpler rationale. The F-117A is a Stealth attack aircraft designed to drop conventional bombs during the Cold War, a concept for the B-2 Stealth nuclear bomber, which Congress seems eager to cancel or sharply curtail. No doubt the air force saw the Panama invasion as a chance to demonstrate Stealth's versatility to Congress.

But doubt remains about the F-117A's performance and mission. The air force says the two planes were meant to hit a field outside the Rio Hato barracks, standing but not killing Panamanian troops inside.

The colonel who led the paratroop assault on Rio Hato has said his plan called for the barracks to be bombed.

The air force insists the mission was a technical success: One bomb hit the field outside the barracks with pinpoint accuracy, and the waywardness of the other was the fault of the pilot, not the plane. Even if true, the air force has yet to explain how vital information can get so badly damaged as it reveals up the chain of command. For the air force to maintain the defense secretary is carrying devotion to its Stealth planes too far.

—THE NEW YORK TIMES

Other Comment

Wild Blue Madness

The air force, laid off the wild blue yonder, is making its fieldwork wilder by the minute. It develops that the stealth-technology F-117A fighter, built secretly with funds from the Pentagon's "black budget," cost \$106.2 million apiece, five times the cost of the F-16. And the air force now says that if production of the B-2 stealth bomber is cut back as Congress insists, the per-piece cost, now \$330 million, will soar to \$2.6 billion. Congress can do nothing about the F-117A, because Lockheed has already built 57 of the 59 planes, including three that crashed. But Congress can kill the stealth bomber program, and it should. Stopping production now would save \$40 billion of the proposed \$76.7 billion cost of 132 planes. The diminishing Soviet threat and the B-2's back-breaking cost justify dropping the program.

—THE MIAMI HERALD

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The Cost of Empire Has Russians Bridling

By Jeane Kirkpatrick

NEW YORK — The Soviet Union is not having a good year. The March economic report showed that total production for the month was about 1.6 percent less than the year before. Production of food, coal and electric power had declined. So had output of textiles, footwear and oil-drilling equipment.

As Soviet economists look for ways to economize, one obvious choice is trade relations with other members of the bloc.

Western economists have long understood that empire is a political luxury that almost no one can afford. But Lenin and his disciples always believed that empires could be sustained by imperial power by impoverishing its colonies. Now Soviet economists have begun to examine the high cost to the Soviet Union of assisting socialist countries on one continent.

An article in the March issue of a leading economic journal, *Ekonomika*, raises doubts about whether the "world socialist economic system" is worth the price. The whole question of Soviet aid to its associated states is obscured by secrecy and complexity, the authors warn. Part of the "aid" consists of the Soviet habit of paying inflated prices for goods: seven to nine times more for Cuban sugar, swollen prices

for Vietnamese cement. A second type of "aid" involves selling goods far below the market price, as Soviets sell oil to Cuba. A third form consists of providing services at virtually no cost, as when the Soviet communist ships to transporting Cuban products, thus freeing Cuban ships for profitable engagements. A fourth form is the provision of credit on fantastic terms, such as allowing Mongolia 20 years to reimburse the plan quotas in 1989" except for transport and sugar production, and that "the living standard of the population is declining."

Soviet economists note that their trade is disadvantageous not only with socialist countries in the Third World, but with Poland, Czechoslovakia and East Germany. Under current practices the Soviet Union subsidizes the reorientation of the economies of Eastern Europe at a time it can ill afford to do so.

The answer to Soviet economic problems may lie in reordering its political relations as well as adopting a market approach to trade with other countries. The solution, according to the authors cited above, is "to separate aid from commerce and trade from politics" and get fair prices for Soviet products. The fault is not with the bureaucracy but with the interests of the country at home and abroad for the sake of high-sounding slogans.

Once the question "who profits?" is raised, it catches on. Russians have begun to notice that as the Soviet Union is not getting a fair share in the world socialist system, Russia is not getting a fair share in the Soviet Union. Russia contributes a disproportionate share of fuel, energy, minerals, timber and water resources to the Soviet Union, according to Soviet statistics, which added, "Russia accounts for nearly two-thirds of the U.S.S.R.'s national production. But the Soviet economy is not geared to the needs of Russia's population. Russia 'ranks last among the union republics in terms of the

proportion of expenditures on social needs, and eighth in terms of housing provisions."

"Economic independence" is the preferred answer to the Soviet Union's trade imbalances with its socialist dependencies and to Russia's problems inside the Soviet Union. Why not? As the autonomous republics develop national demands, why should anyone expect the Russians not to do so?

Russia, like the Baltics, was once an independent nation. And a democratic national Russian movement has emerged in time to win elections in Moscow and Leningrad. This is very good news. In the Soviet Union nationalism and democracy can go hand in hand. Both have been suppressed in the multinational internal empire. But Solzhenitsyn, Bukovsky and other Russian dissidents have rightly pointed out that Russian culture has been suppressed along with that of the Ukraine and other nationalities. Today virtually all the people of the Soviet Union support democratic self-determination for themselves and for Eastern Europe.

The age of empire has passed. The sacrifice of national interest to remote colonies no longer makes sense.

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Is the Soviet Union Going Broke?

By William Safire

WASHINGTON — The Soviet Union, which has always promptly paid hard cash for the commodities it purchases in the West, seems to have fallen almost one-half billion dollars behind in payments due to grain exporters in the past month.

I say "seems to" because nobody wants to talk publicly about the unprecedented delays — not the grain companies, which do not want to embarrass America's largest customer (the United States sold 21 million metric tons of wheat and corn to the Soviet Union in the last marketing year), and not the Soviet Union, which wants to conceal this part of its economic desperation.

But as a result of the mountain of accounts receivable, several international grain dealers have quietly stopped selling to the Soviet Union.

It means that Mikhail Gorbachev's plan to placate angry Soviet consumers by putting bread on their tables is now threatened. His purchasing agents have turned to Japan. When Continental Grain declined to sell any more on credit ("We're being more prudent in bidding for business" is the way a company spokesman put it), the Japanese bought and paid for American grain and resold it to Moscow, hoping to be paid in six months or a year — in effect, acting as the Soviet's risk-taking banker.

What gives? Are the Soviets going broke? Moscow's suppliers in America say no, that the delay must be merely a bureaucratic mix-up. In the past, Moscow's export arm bought the grain with the backing of the Soviet Union's central bank. But now, as a result of perestroika's housecleaning of bank officials, the excuse is given that the necessary documentation has been mislaid, or not filled out — or the banker has been fired and nobody sits at that desk anymore.

Without the guarantee from the Soviet central bank, the sellers of grain cannot get financing to carry the Soviets from American banks. As a result, grain shipments have been curtailed. "We got paid, finally, the other day," said one U.S. grain shipper, "but most of the other guys are still being told the check is in the mail."

Stephen Aug of ABC News reported early this week that the Du Pont company, the largest U.S. producer of agricultural chemicals, was not being paid on time by the normally punctual Russians. American suppliers have accepted Moscow's explanation that the delays were due only to perestroika's necessary decentralization of authority. The great grain dumping raises the stakes substantially. Although the excuse is that Boris the Banker was fired and his local replacement cannot find the paperwork, the fact is that the Soviets are systematically seeking new deals permitting six-month and one-year payment delays. That spells big credit trouble.

Here is another unremarked story that helps form the background to the hurry-up Memorial Day summit conference: The same Soviet economic desperation was at the root of last month's sudden sell-off of a billion dollars in gold bullion.

The price of gold dropped on March 26 from \$393 to \$370 — not exactly a crash, but an unusual tumble. At a loss for a reason, some analysts blamed the sale of gold in London by Saudi Arabia to pay for British weapons.

The Saudis did the selling, all right, but I am told on good authority that they acted in Switzerland as brokers for the Soviet Union. Four days before the gold dumping, Edward Gostev, deputy chairman of the Soviet Bank for Foreign Economic Affairs, appeared before the Gold Institute's annual meeting in Arizona. He said confidently that Soviet sales of gold on the world market easily covered its grain purchases,



By HAGEN in Vietnam (Color), C&W Syndicate

and predicted that Moscow would soon publish its secret figures on gold reserves and production.

That was intended to firm up world demand for gold as the Soviets prepared to sell. Gold bugs say the maneuver was only partly successful; the Gostev speech was not widely reported until after the tumble, and the Soviet sale was not entirely at the top of the market.

At any rate, the hard currency realized by the dumping did not come in time to prevent the black eye suffered by the Soviet credit rating among grain exporters.

What does Moscow's market manipulation and international check-kiting have to do with the Memorial Day summit meeting?

It means that the recent tumult about the Gorbachev government from half-committed economy to market-systems-ahead is purely the result of necessity.

It means that the Soviets have never been more vulnerable to pressure: quickly to pull troops out of Eastern Europe, to end the subsidy of Castro, to free the captive Baltic nations.

The New York Times

The East's New Morality Bolsters Freedom's Outlook

By William Pfaff

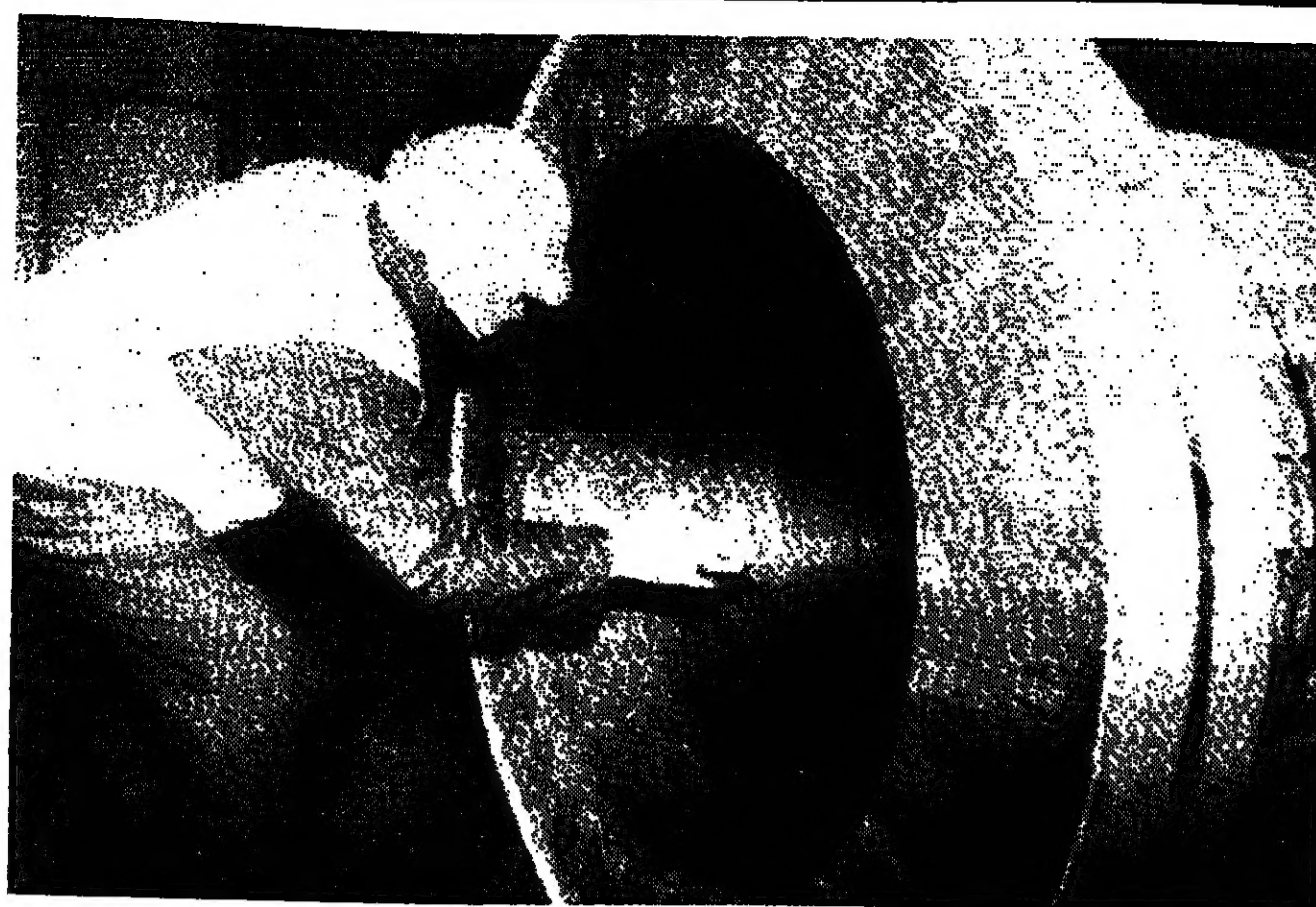
PARIS — The most interesting, and possibly the most important, outcome of Eastern Europe's and the Soviet Union's passage through communism is the moral effect it has produced. People have been compelled to confront good and evil in themselves as well as in the political circumstances about them. They have been tested in a manner that no one in the West has experienced since World War II and the Resistance.

A certain high-mindedness, a serenity, is apparent in many of the things now being said and done. A determination is expressed to end the hate-filled conflicts of the past. The resurgence of some of those hatreds in Transylvania, Serbia and elsewhere in Eastern and Balkan Europe, have provoked a singular recognition of the need to overcome them — to establish the general interest of society, with respect for the right of individual groups to remain themselves.

There is a clear awareness that national interest is not an absolute value. The fragility of liberal civilization is understood because its alternatives have been so thoroughly and savagely explored. President Vaclav Havel of Czechoslovakia thus was able to ask the Germans, who in the war did so much harm to Czechoslovakia, and were ultimately responsible for the 42-year ordeal of that country under Soviet domination, "What if I tried to give Czechoslovakia for a way it tried its ethnic Germans after the war."

People are determined to end the hate-filled conflicts of the past.

self being in prison four times... You come out and find yourself with seemingly unlimited space in which



A British Customs officer examining a section of the casting Friday that was seized before it could be shipped to Iraq.

IRAQ: Baghdad Has Already Received 44 Castings, Their Maker Says

(Continued from page 1)

been cleared by Customs and Excise," the company said.

Mr. Peck, the company spokesman, said each contract for 26 sections would form a tube 156 meters long. The eight sections seized by Customs were random parts of one 26-section order, and "do not join in any way, shape or form," he said.

Those who claim the pipes are part of a gun, Mr. Peck said, "may now care to make some new calculations which hopefully will persuade everyone how far-fetched the story is."

The company also issued copies of a 15-minute promotional video that it had made describing filling the Iraqi order.

"Companies seeking to export products illegally do not make a complete record of their illicit operation on video, nor do they use that selfsame video for promotional purposes," Mr. Peck said.

Iraq says it is the target of a smear campaign orchestrated by Britain and Israel. "Even if we buy a box of chocolate from Britain, they will say Iraq will use it to produce an atomic bomb," the Iraqi foreign minister, Tariq Aziz, said Thursday in Baghdad.

British press articles have connected the reported gun project with Gerald Bull, a Canadian scientist and gunner expert who was shot and killed in Brussels last month.

Customs code-named their swoop "Project Bertha" after the German World War I artillery gun nicknamed "Big Bertha," which was carried by rail, had a barrel

nearly 30 meters long and was used to bombard Paris.

Politicians of the opposition Labor Party and newspapers called for an official explanation. One Labor member of Parliament, Bob Cryer, said the Department of Trade and Industry had been "complacent, inert or hoodwinked."

In Jerusalem, meanwhile, the Israeli Army's former head of artillery was quoted as saying that Mr. Bull had helped Israel to improve its heavy weapons.

Interviewed in the newspaper Yedioth Ahronoth, the former artillery chief, Reserve Brigadier Avraham Bar-David, said Mr. Bull, who was killed in March, had helped Israel greatly increase the range of its field artillery.

"He visited this country and proposed his innovations to the army and manufacturers," Brigadier Bar-David said, describing Mr. Bull as the world's foremost authority on heavy artillery.

"Some of them were used in field artillery and permitted a very significant increase in their range," he added, without saying when Mr. Bull visited Israel.

Mr. Bull was found dead in his Brussels apartment on March 22, shot twice in the neck.

Some newspapers speculated that Mr. Bull might have been killed by the Israeli secret service. Mossad, a theory supported by his son. Others suggested he had been killed by Iran, another potential target of a huge gun Iraq is said to be developing. (AP, Reuters)

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Skeptical Experts Asking: Why Build Such a Big Gun?

International Herald Tribune

Many military experts remained cautious Friday about the theory that Iraq plans to build the world's biggest cannon.

They asked why the Iraqis would go to the bother of building such a weapon when there were cheaper, easier and more reliable ways of delivering a warhead. "I am very skeptical that these bits of tubing are meant for guns," said Tony Banks, the editor of Jane's Defense Weekly.

An investigative officer for the British Customs and Excise service said Thursday that castings seized at the port were about to be loaded into a ship bound for Iraq could be used to construct the barrel of a large artillery piece. But Mr. Banks said: "It appears that there are flanges to allow the tube to be bolted together. There is no gun in the world with its barrel bolted together."

"We would also have to look at what else they would need to make a gun of this size, which has never been made before," he said. "Apart from the barrel, they would need need breech blocks, a carriage, loading mechanism and ammunition."

SOVIET: Military in Moscow Is Reasserting Itself, a Rand Report Says

(Continued from page 1)

official said the Soviet military had turmoil in its ranks and was fearful about the changes instituted by Mr. Gorbachev.

The official, Henry S. Rowen, an assistant defense secretary for international security affairs, said many Soviet officers recalled the "very serious" disruptions caused by Nikita S. Khrushchev's military cuts and they were worried this experience was being repeated.

Mr. Rowen, who recently returned from a visit to the Soviet Union, said reports of desertions and failures of draftees to show up for induction were "signs of an organization in trouble."

He said he had no direct knowledge of disputes between Soviet political and military leaders but added, "It would be surprising if there

were not strains, given what Gorbachev is about."

After the arms talks last week, some administration officials speculated the tougher Soviet stance on cruise-missile issues may reflect the growing influence of the Soviet military as Mr. Gorbachev tries to deal with the crisis in Lithuania.

But other administration officials say too much is being made of this theory, suggesting the Soviet approach on arms control may be the result of bargaining tactics.

Just what lies behind Moscow's latest arms-control approach may not be clear to U.S. officials until mid-May, when Secretary of State James A. Baker 3d flies to Moscow for a final round of arms talks before the summit meeting between President George Bush and Mr. Gorbachev.

The Rand report also said Mr. Gorbachev had quietly orchestrated a wholesale replacement of senior Soviet military officers in an effort to bring the military under tight civilian control.

In the first six months of 1989 alone, 12 top-level commanders were replaced, the report said.

But the Soviet military leadership remains essentially conservative, "opposing Gorbachev on the most important issues of resource allocation and the structure and deployment of forces," said one section of the report, which was prepared by Sergei Zamaschikov, a Rand specialist.

U.S. officials have disclosed that the chief of the general staff of the Soviet armed forces, General Mikhail A. Moiseyev, has indefinitely

postponed a planned visit to the United States that was scheduled for mid-May. The Washington Post reported.

General Moiseyev explained in a recent letter to General Colin L. Powell, chairman of the Joint Chiefs of Staff, that he must remain in Moscow to help prepare for the summit meeting from May 30 to June 3, the officials said.

The scheduled date for General Moiseyev's visit coincided with a Moscow meeting on arms control between the U.S. secretary of state, Mr. Baker, and the Soviet foreign minister, Eduard A. Shevardnadze.

Several U.S. officials said General Moiseyev's statement indicated that he intended to play a more active role in Soviet arms-control policy-making than he has in the past.

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Soviets Bar a Germany Solely in NATO

Compiled by Our Staff From Dispatches

MOSCOW — The Soviet Foreign Ministry said Friday that membership of a united Germany in NATO even for a temporary period was unacceptable.

The new East German coalition government said Thursday it wanted economic and social union with West Germany on July 1 and that the reunited nation should be a member of the North Atlantic Treaty Organization for "a transitional period."

"Such a possibility would be unacceptable and for this reason we must find a compromise solution," said Yuri Gromitskiy, a Foreign Ministry spokesman.

During a news conference in Moscow, Mr. Gromitskiy read out passages of an interview with the Soviet foreign minister, Eduard A. Shevardnadze, published in a NATO magazine in which he proposed that Germany temporarily

belong to NATO and to the Warsaw Pact.

"The Soviet party has expressed its position on NATO membership for reunited Germany several times and at the highest level," the spokesman said.

The NATO secretary-general, Manfred Wörner, rejected the idea of German membership in both alliances, even for short time, in an interview with a West German newspaper.

"We are ready for exceptional military solutions, but apart from that we are for full membership, by all of Germany, in the Western alliance," he said in an interview due to appear Saturday in the conservative newspaper Die Welt.

"NATO attaches great importance to maintaining its integrated structure on West German soil," Mr. Wörner added.

Even if a collective defense system were set up, based on the Con-

ference for Security and Cooperation in Europe, NATO would remain "the most important pillar of a European security system," he said.

The West German foreign minister, Hans-Dietrich Genscher, had dismissed Mr. Shevardnadze's proposal on Thursday, saying Bonn's position was "known" and "excludes double membership in military alliances."

He also noted Mr. Shevardnadze's remarks did "not take the place of an official Soviet proposal."

Mr. Genscher also said in another interview that the East and West German positions on major issues were now so close that "we Germans can be the architects of a united and indivisible Europe."

Mr. Genscher, interviewed by the Cologne daily Express, said the new coalition government in Berlin

and the federal government in Bonn saw eye to eye on every important aspect of reunification.

NATO membership for a reunited Germany, East Germany's incorporation into the European Community, disarmament and a proposal for a pan-European security system which would eventually do away with the two rival military blocs.

Mr. Genscher said he wanted to sit down soon with his new East German counterpart to discuss united Germany's relations with the rest of the world. Mr. Genscher said he hoped to meet Mr. Meckel, named foreign minister Thursday in East Germany's freely elected government.

Mr. Genscher called for an end to restrictions on the sales of sensitive Western technology to East European countries formerly seen as Soviet vassals. (AP, Reuters)

Poles on Katyn Apology: It's Not Enough

By Stephen Engelberg

New York Times Service

WARSAW — Poles called Friday for the Soviet Union to prosecute those responsible for the Katyn massacre, and several said a statement by the Soviet press agency Tass on the massacre was insufficient redress for more than 50 years of lies.

"The fact that they admitted this is an important thing, but in what form the final admission and statement will be made is also very important," said Cezary Chlebowski, a professor of history at Warsaw University and a member of a Polish commission investigating the massacre.

"If this will just end with this statement, this is not the way to do it," Mr. Chlebowski said. "We expect there should be activities of the prosecutor to find the perpetrators of this crime."

Katyn was one of the most bitterly resented symbols of Soviet domination in Poland. Under the Communists, Poles were not permitted to speak or write of the massacre, even though the Soviet complicity was widely known and had been confirmed in detail by historians.

The issue remains a painful one for Poles. After making the Soviet announcement the lead item on the news, Polish television broadcast on Friday night a recently completed documentary on Katyn that included interviews with dozens of relatives of those who were killed.

Bronislaw Geremek, the leader of Solidarity's political arm in parliament and a close adviser to the government, said:

"This acceptance of guilt is im-

portant for Polish-Soviet relations. The words were pronounced that murder was committed and those who did it were named. These were words that we waited for a long time. It can be said that now, just now, the possibility is open that relations between Poland and Soviet Union can be put on the right track."

Lech Walesa, the Solidarity leader, issued a statement that praised the acknowledgment but focused on what Mr. Walesa said were "unsettled questions."

The questions he listed included "punishment of those responsible for the crime of genocide" and

"free access to places within the territory of the U.S.S.R. which are important to Poles' emotions."

Janusz Zawodny, a Polish expatriate whose book "Murder in the Forest" is an authoritative history of the massacre, noted that the Soviet statement did not address the 12,500 Polish officers and others who were killed at places other than Katyn in the same period.

"If the Soviet Union follows up," he said in a telephone interview from his U.S. home in the state of Washington, "this could be the beginning of a new relationship between Poland and the United States. If it stops with this state-

ment, it would be a dismal disgrace."

Even before the Communists' unquished power in Poland in 1945, the Polish government had publicly broken with Moscow on this issue. Jerzy Urban, the spokesman for the Communist government, declared in March of 1948 that the Soviets were to blame for the massacre.

Until last year, the monument to the victims in Warsaw carried an inscription that blamed the murders on the Germans. It has since been rewritten to read simply "Katyn 1940."

BALTS: Moscow Gives Republic 2 Days to Drop Plans

(Continued from page 1)

and preventing foreigners from traveling to the republic.

A glimmer of hope for Lithuania, however, is an agreement on economic cooperation signed on Thursday with the governments of the neighboring Baltic republics of Estonia and Latvia, which are also seeking to secede from the Soviet Union. The agreement provides for mutual assistance in the event of emergencies.

But although Estonia and Latvia could provide some short-term assistance for the Lithuanian economy, it is unlikely that they could make up for the shortfall in supplies from the Soviet Union.

Mr. Gorbachev has already threatened Estonia with punitive measures after its parliament declared a stage-by-stage transition toward independence.

The latest developments come four days after Mr. Gorbachev's presidential council threatened further "political, economic, and other measures" against Lithuania.

On Wednesday, the British foreign secretary, Douglas Hurd, said that he had been assured by the Soviet leadership that there would be no interruption in the flow of goods necessary for the Lithuanian economy.

It is unclear how long Lithuania's supply of oil and natural gas would last before the republic would be forced to close down factories and halt public transportation.

Mr. Landsbergis said the republic could probably keep going for "some time" but declined to be more specific.

In addition to being priced in rubles, Soviet supplies of oil and gas are also considerably cheaper

for Lithuania than they would be on world markets.

On the domestic market, oil sells for about 30 rubles a ton, or \$50 a barrel, the grossly inflated official rate of exchange. On world markets, oil sells for roughly twice as much.

Asked if the Lithuanian authorities had emergency plans to introduce rationing, Mr. Landsbergis said: "What kind of plans can you have in such a situation? If the come with tanks and arrest us all in the middle of the night, there's nothing we can do. Foreign governments, including the government of the United States, can make plans. We can only wait and see what will happen."

INTERNATIONAL MANAGER

BY SHERRY BUCHANAN

IN THE HIT-VERY THURSDAY.

ECONOMY: Radical Changes

(Continued from page 1)

that the changes would be debated in parliament.

Government ministers have promised that low-income families will be protected from the worst effects of inflation, but have warned that the new measures will inevitably be "painful."

Earlier this week, Mr. Gorbachev promised to use his new executive powers to push the economic changes through parliament.

Constitutional amendments adopted last month by the Congress of People's Deputies, the parliamentary body that chooses the Supreme Soviet, give Mr. Gorbachev the right to rule by decree and declare a state of emergency in the event of widespread public disorder.

Successive Soviet governments have been extremely wary about increasing prices for fear of an uncontrollable social explosion. Last December, the government decided to shelve significant consumer price increases for several years because of the opposition of the trade unions and hard-line Communists.

Soviet economists predicted that such basic commodities as coal, electricity, and public transportation would continue to be subsidized by the state for the foreseeable future.

Subsidies on agricultural products, they predicted, which currently account for 15 percent of the state budget, will be phased out.

The government's new proposals appear to mark a step away from the idea of workers' self-management that was at the heart of Mr. Gorbachev's first unsuccessful attempt at economic change.

Officials say that major amendments will be introduced in the January 1987 law on state enterprise that gave factory workers the right to elect their managers and set up workers' councils at every level of Soviet industry.

BUSH: In the White House, It's Hands-On Diplomacy

(Continued from page 1)

and deal directly with their counterparts around the globe as they grapple with the revolutionary events of recent months.

According to diplomats and government officials, Mr. Bush has demonstrated in the first 15 months of his presidency both the advantages and pitfalls of this personal diplomacy.

In his first year in office, Mr. Bush spoke by phone with other world leaders about 190 times—an average of one such call every other day—and met with other leaders 135 times, a pace far more intense than that of former President Ronald Reagan and other recent presidents.

Mr. Bush has also added a social dimension to the relationships, spicing his counterparts to baseball games, fishing trips, speedboat outings, weekends at Camp David and visits at his Kennebunkport, Maine, summer compound.

The officials said Mr. Bush had shown how such personal attention to diplomacy can bridge disagreements and forge alliances, such as in the way he has courted President François Mitterrand, who had grown distant from Mr. Reagan.

Mr. Bush plans to meet with Mr. Mitterrand again next week at a resort in Key Largo, Florida.

Mr. Bush and Mr. Baker have

also used these methods to stay in close touch with other central players in the rapidly changing European scene, particularly their most active partners in recent months, Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher of West Germany.

Mr. Baker has had seven meetings with Mr. Genscher since the Berlin Wall came down in November, as well as innumerable phone calls and faxes that regularly arrive from the Bonn government. Mr. Bush and Mr. Kohl have met on four different occasions, and talked often by phone.

Mr. Bush met with Prime Minister Margaret Thatcher of Britain in another exercise of personal diplomacy on Friday in Bermuda. It was their fifth meeting since Mr. Bush took office.

At the same time, these officials said, there have been a few missteps, such as the embarrassing episode in which Mr. Bush spoke by telephone with a man impersonating the Iranian president, Hashemi Rafsanjani.

Perhaps more worrisome to some White House and State Department policymakers, officials said, is the risk that this kind of personal diplomacy will exclude seasoned experts, thus courting serious mistakes.

"The Rafsanjani thing was a minor embarrassment," said a high-ranking administration official who has seen Mr. Bush and Mr. Baker in action. "What might be more of a problem is when you don't bring enough people into the tent, they start talking shots at you."

This official said Mr. Bush and Mr. Baker had yet to fully exploit the wider expertise of their government, making decisions and handling communications in a very tight circle. "We all assume five or six people can do anything, and it makes it a lot easier," the official said. "But if we push the experts aside, we suffer in the end."

Geoffrey Kemp, a senior associate at the Carnegie Endowment for International Peace and veteran of the National Security Council staff in the Reagan years, said Mr. Bush's method was not singular, but a throwback to earlier years when a president and his secretary of state made decisions without lengthy debates by interagency groups.

But, he said, "the nature of American foreign policy has changed dramatically over the last 20 years. It is increasingly difficult for one, two or three individuals to comprehend, let alone orchestrate, the vast number of issues that have to be brought into serious foreign policy decision-making."

had been handed the dispatch about 30 minutes before they emerged from their private conversations to take questions.

Backing for NATO Role

Both Mr. Bush and Mrs. Thatcher emphasized their support for a reunited Germany within the NATO alliance. The Associated Press reported from Hamilton.

Mr. Bush said a reunited Germany should have "full control over all its territory without any new restraints."

But United States officials said that the White House had in fact learned of it 90 minutes earlier and that Mr. Bush and Mrs. Thatcher

TALKS: Bush and Thatcher Express Alarm at Report

(Continued from page 1)

couch their remarks as diplomatically as possible.

Still, their statements at a joint news conference after talks in Bermuda represented a marked change in the way Mr. Bush has studiously avoided commenting on developments in the Soviet Union in recent weeks.

Mrs. Thatcher has also been restrained in her public statements about Lithuania, restricting herself to the calls for dialogue that she and Mr. Bush repeated Friday.

The two leaders said they were basing their remarks on a news report about Mr. Gorbachev's threat and declined to go into much detail on the development.

Mr. Bush said the two had learned of the ultimatum only moments before their news conference began and added that their governments had not independently confirmed the details.

But United States officials said that the White House had in fact learned of it 90 minutes earlier and that Mr. Bush and Mrs. Thatcher

had been handed the dispatch about 30 minutes before they emerged from their private conversations to take questions.

Backing for NATO Role

Both Mr. Bush and Mrs. Thatcher emphasized

Laying the Infrastructure For Economic Growth

Sri Lankans understand the vital importance of creating a good infrastructure. For over a millennium, they have been transforming their water resources to serve agricultural needs, holding to the decree of the 12th century King Parakramabahu I that "not one drop of water reach the sea without first serving man."

Master engineers, the 12th century Sri Lankans dammed and diverted rivers to create more than 11,000 reservoirs in Anuradhapura and the northern provinces alone.

This water engineering tradition has continued to the present day. Nearly four percent of the 1990 budget is devoted to developing irrigation facilities, carrying on the recently completed Mahaweli Scheme, which turned the nation's longest river into a prime source of irrigation water.

Sri Lanka's many rivers have also given it abundant hydroelectric power. At present, it has an installed capacity of 700 MW, produced by dam powerhouses as well as gas and diesel turbines. Anticipating continued industrial growth, the government has planned for demand up to the year 2000, allocating approximately three billion rupees for infrastructure development.

There is an extensive telecommunications system with facilities for IDD and fax links with overseas cities and for telex and telegrams.

Roads and highways totaled 69,000 kilometers in 1987, with

trucks and buses connecting most towns. Major cities are linked by 1,944 kilometers of rail lines, which also connect Colombo's port with outlying towns.

The national carrier, Air Lanka, serves key destinations in Asia, Europe and Australia. Domestic services are presently provided by the Sri Lankan Air Force, but future plans call for the creation of a privately owned domestic carrier.

One of Sri Lanka's major infrastructure successes is its port facilities. Recent developments have re-established its historic role as a transshipment port. In 1956, the government built Queen Elizabeth Quay, Bandaranaike Quay, Prince Vijaya Quay and an oil dock that provided 15 alongside berths and two coaster berths.

In the 1970s the government recognized that an opportunity to play a wider role in east-west container traffic was sitting on its doorstep. With the assistance of the Japanese government, the newly established Ports Authority in 1980 drew up a master plan to develop Colombo's port for container cargoes.

The resultant Jaya Container Terminal, completed in 1987, contains two berthing piers of 300 meters and 332 meters, with two container cranes and five transfer cranes each. This fully computerized operation can also handle reefer containers.

As a result, Colombo port in 1988 handled 628,485 TEUs (twenty-foot equivalent units), 77.2 percent of which were transshipped. In 1990, the authority hopes to see that figure climb to 700,000.

"Today we are ten years ahead of all other ports in the region in berthing facilities, equipment, and efficient service," says A. de Vass Gunawardena, chairman of the Ports Authority's Board of Directors. "Major lines choose us for transshipment because our paperwork is minimal and we can turn a ship around in 12 hours. We can handle 24 ships at a time, including fourth-generation ships carrying 4,000 containers. We can also handle non-conventional carriers, LASH and Ro-Ro vessels."



The Jaya Container Terminal is a fully computerized operation.

Success has bred new challenges. By 1992, the authority will have expanded the Jaya Container Terminal, adding another berthing pier, two more gantry cranes and more transfer cranes, enabling it to handle post panamax vessels. To speed transfer of in-bound and out-bound cargoes, the authority will build an access road linking the port with the main highway north.

To provide for future needs, the port at the southern city of Galle will be developed.

"Galle is only 25 kilometers from the main shipping lanes and has more land for expansion," says Mr. Gunawardena. "The Ports Authority is now drawing up a master plan with assistance from the Japan International Corporation Agency. The new breakwater and container piers will serve a new Export Processing Zone now being established in the Galle area. We hope to have it onstream by 1991."

These ports will be supported by the port at Trincomalee and the KKS port in Jaffna.

Pragmatism in the Air: A Business Turnaround

A prime example of the government's "prove yourself or perish" approach is Air Lanka, whose history until recently had been anything but happy.

Established in 1979 as a successor to Air Ceylon, Air Lanka was expected to become a major revenue earner on major international routes. Although capitalized nearly 70 percent by the government, it was allowed to function as an independent entity. Almost immediately it ran into trouble.

The three Lockheed aircraft it purchased had more capacity than was justified by the traffic. Between 1979 and 1989, the airline lost seven billion rupees. By all accounts, the country's internal strife and the subsequent drop-off in tourist arrivals had little to do with its problems. Critics suggest that it was a matter of inefficient operation.

In July 1989 President Premadasa put the airline on notice: become commercially viable or close.

The man he chose to accomplish a turnaround was the present chairman and managing director, Dunstan Jayawardena, an urban economist who had headed the National Housing Authority and built 155,000 houses in the Hundred Thousand Houses program.

"At that point, we were not even covering our debt service," he says. "I felt we had to give it oxygen to buy time."

To accomplish that, Mr.

Jayawardena instituted an ambitious cost-cutting scheme and rooted out corruption and inefficiency. In the process, he boosted morale, pushing the staff to achieve higher load factors. As a result, Air Lanka, for the first time in its 10-year history, will end the 1989-90 fiscal year with a net profit.

"It will be only US\$3 million, but it is a start," he says. "Our most important achievement is to have given the airline a good name. We are no longer wasting taxpayers' money, and we have now regained public confidence."

The new fiscal year will bring major reforms for Air Lanka.

"In the coming year we will devise corporate objectives and strategies and overhaul our management systems. We must reflect the airline with new, economical aircraft. With the stigma of losses out of the way, we can talk with dignity to other nations and aircraft manufacturers to forge a better airline."

As part of its new direction, Air Lanka will begin charter service to Melbourne on May 4. Its present fleet of seven aircraft will be augmented, as will its staff of 3,000. Future plans include creating holiday packages and entering the hotel business. With the airline now on solid footing, anything is possible.

Incentive Package Geared to Investors

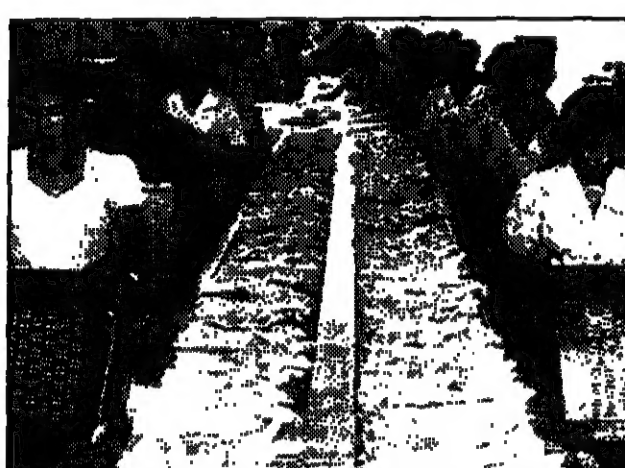
As part of its economic liberalization program initiated in 1977, the Sri Lankan government is breaking down barriers in order to allow foreigners greater participation in Sri Lankan business and industry.

"For the past 30 or 40 years, we have been looking inward, pulling ourselves up by our bootstraps," says A.S. Jayawardena, secretary to the Ministry of Industry. "This approach won't work anymore. Small countries like Sri Lanka have no choice; we must be export-oriented, and the world must be our marketplace. To do that we are gradually taking away restrictions and inviting investment."

Foreign investment and joint ventures are overseen by the Greater Colombo Economic Commission (GCEC). Established in 1978, the GCEC functions as a one-stop investment center for the entire country, providing support for the entire life of a project.

Under its chairman and director general, Nissanka Wijewardane, it is an indispensable aid to would-be investors. It can serve as an intermediary with government agencies to process investment proposals, facilitate equipment importation, intercede with the Customs Department for duty-free importation of raw materials and export of finished or semi-finished products, provide engineering services for site selection and facilities, provide staff recruitment and training facilities, advise on industrial relations and arbitrate industrial disputes. With its help, an investment application can be approved in 4-6 weeks, a time span the GCEC will soon reduce to 2-3 weeks.

The GCEC also conducts market research and has identified these key areas as ripe for investment: agro-based industries that use the country's abundant coconut, rubber, leather and wood as raw materials; mineral processing that uses deposits of ilmenite and rutile sand and apatite for titanium and phosphate fertilizers. It welcomes industries processing Sri Lanka's graphite, perhaps the finest in the world, with 99.8 percent



Rubber raw material provides gloves for export.

carbon content. Gems are mined in abundance; costume and fashion jewelry are two areas to be developed. All the raw materials for ceramics products are found in Sri Lanka.

Investment is also being sought in plastic-based products, toys, handicrafts, sporting/athletic goods, boat building, medical and surgical supplies, novelties and manufacture and assembly of electrical appliances and electronic products.

Textiles hold great promise. New garment exports to the U.S. and the EC are closed due to quota restrictions, but other markets are still open. Garments for hospitals, high-fashion items of silk, leather and plastic can also be produced.

Sri Lanka offers the foreign investor several distinct advantages. One is its low labor costs, which start at US\$1.10 per day. The country also possesses a good infrastructure, a wealth of natural resources, a pleasant working and living environment and strong government support with attractive investment promotional privileges.

It is the government's investment packages that attract many new businesses to Sri Lanka. For activities deemed beneficial to the country, a company may be 100 percent foreign-owned, or it may freely transfer shares within and outside of Sri Lanka. Dividends, capital and proceeds of liquidation can be remitted without tax or exchange control restrictions. Visas for

expatriate staff can be obtained with minimum difficulty.

Among the most appealing items in the package are the tax holidays, which last from five to 15 years. Its length is based on five-year projections of the amount of the company's investment, number of employees, degree of technology transfer, degree of export orientation, the size of the export earnings and the net export earnings for Sri Lanka.

Other incentives include elimination of tax on royalty remittance, tax exemptions on expatriate staff earnings, double taxation agreements with 19 countries, duty-free importation of construction materials, plant equipment and raw materials and duty free export of the final product or semi-finished goods.

One of the major benefits is investment security. According to Mr. Wijewardane, "A company is guaranteed protection from expropriation by the law which established the GCEC. It is also protected under Section 157 of Sri Lanka's Constitution, by Investment Protection Agreements with 19 countries as well as copyright and patent protection. Sri Lanka is also a signatory to the Multi-lateral Investment Guarantee Agency (MIGA) of the World Bank, which protects against non-commercial risks."

Sri Lanka offers an investor three options in setting up his processing facilities: Export Processing Zones (EPZ), private sector industrial parks and direct purchase of a factory site.

The most popular options are the EPZs. There are two: one at Katunayake near Colombo's airport and another at Biyagama, 24 kilometers northeast of Colombo. Both offer 99-year leases and an infrastructure that provides full power, water supply, a comprehensive communications system, paved roads, sewage/effluent collection and treatment, an environmental control laboratory, security systems, guards and chain-link fencing.

The EPZ also provides an on-site administration complex with banks, an immigration office, customs, a labor office, medical clinic, post office, sports facilities, accounting firms and cargo forwarding agencies. Workers live in nearby towns served by bus routes.

While expanding the existing EPZs, the GCEC will construct a third near the southern seaport of Galle. It is also considering constructing a high-technology park in conjunction with the Arthur C. Clarke Center. Devoted to innovative industries, the park would provide scientists with facilities to carry out research in fields like lasers and computers.

The GCEC is also encouraging the private sector to create industrial parks. Local authorities or companies would provide all facilities and lease the space and services to the investor.

An investor requiring his own site can buy land but must do so as a locally registered company. If he purchases as a foreign entity, he must pay a 100 percent stamp duty. In either case, he can still qualify for promotional privileges.

Some 27 countries have invested in over 100 projects under the auspices of the GCEC in such diverse areas as household and surgical gloves, diamond processing, security printing, bicycles, granite slabs, brushes, ice skates, pentometers and switches, steel fasteners, tires, cordless telephones, piping systems, magnetic heads and electronic goods.

The experiences of two firms are instructive for would-be investors. I.P.H. Leemans, managing director of the Sri Lankan branch of Agio, a Dutch Tobacco processing firm best known for its Winterman's cigars, established a factory in 1985 at the Biyagama EPZ.

"We had looked at a number of countries for our Asian factory but found that the labor force, facilities and infrastructure were the best in Sri Lanka," says Mr. Leemans. "For one thing, it was easy to set up operations. We were able to build our factory and start production in only six months."

Agio's factory has 300 machines to shape cigar binders and wrappers for final rolling in Holland.

"We found Sri Lankan workers were very suitable to our production process. They had good productivity and were easy to motivate."

From a small production unit, the factory now has 1,100 employees and will soon expand staff size to 1,300. It is also hiring local management personnel.

"We started with one expatriate and still have only one. The Sri Lankans can handle all the management and administrative duties themselves," says Mr. Leemans.

Mr. Leemans is optimistic about the future of foreign investment in Sri Lanka. "Last year, I would not have considered expanding or recommending that anyone invest here, but the political situation has changed. The Sri Lankan bureaucracy is promoting investment and is supportive of all our efforts."

Soon Shik Lee is the deputy managing director of Ceramic World. Like Agio, the company looked elsewhere before settling on Sri Lanka for its first factory outside Korea.

"This is the freest economy in South Asia. The tax holidays and low wages are also very attractive," says Mr. Lee.

Ceramic World produces more than 2,000 figurine items. Its 1,150 employees handle all stages of production, from the mixing of the clay through painting and packaging.

"The staff is quite talented, works well and is very gentle. We now have 18 Korean experts, but within two years we will cut that number to only three or four," says Mr. Lee.

An unexpected bonus came in the procurement of raw materials.

"Until March 26 this year we were importing all raw materials from Korea. Then, we found that Sri Lankan clays were ideal for our purposes and are now importing only 20 percent of our raw materials. We are very happy with our decision to locate in Sri Lanka."

The GCEC is ready to assist other investment ventures. It can be contacted at No. 14, Sir Baron Jayatilake Mawatha, P.O. Box 1768, Colombo 1, Sri Lanka. Tel: 548-105, 548-880. Telex: 21332 ECONCOM CE. FAX: 94-1-547995.

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SRI LANKA TEA BOARD
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Telex: 21304 Theord Ce

About Sri Lanka

Area: 65,610 square kilometers, the size of Holland and Belgium combined and lying southeast of India between 6 and 10 degrees north latitude.
 Population: 16,586,000 (mid-1988 estimate).
 Population growth rate: 1.4 percent.
 Largest city: Colombo: 683,000 (1986). Its airport, Katunayake, lies 29 kilometers north of the city.
 Form of government: Parliamentary democracy. According to the 1978 Constitution, modeled on a combination of the French and U.S. systems, a president is directly elected to a six-year term by the people. He appoints a prime minister and cabinet. Legislation is enacted by a 227-member parliament elected by the people. A system of courts adjudicates the law.
 Languages: Sinhalese, Tamil, English.
 Ethnic mix: Sinhalese (74 percent), Tamils (18.1 percent), Muslims (7.1 percent), others (9.8 percent).
 Religions: Buddhist (69.3 percent), Hindu (15.5 percent), Muslim (7.6 percent), Christian (7.5 percent), other (0.1 percent).
 Highest mountain: Pidurutalagala: 2,524 meters.
 Time: +5.5 hours GMT.
 Climate: Tropical. Highest temperatures between March and June. Average maximum: 32.9°C; minimum: 20.1°C.
 GDP growth rate in real terms: 2.7 percent (1988).
 Per capita GNP at current prices: US\$375 (1988).
 Composition of GDP (1988): Agriculture: 26.3 percent; industry: 25.5 percent; services: 48.2 percent.
 Literacy rate: 88.6 percent.
 Currency: The rupee, tied to a basket of currencies and presently trading at 39.8 rupees to US\$1.

* Statistics provided by the Central Bank of Sri Lanka.

Government Moves to Transform Economy

Sri Lanka's economic profile is changing rapidly. The traditional triangle of exports — tea, rubber and coconuts — that formed the bedrock of the island's economy is giving way to new products and ventures as the country shifts from domestic-oriented to export-oriented industries.

For decades, tea was the number one export. Although in 1988 it earned the country 12.3 billion rupees (SDR 288) in foreign revenues, it was outstripped by a new contender: garments, which earned 14.3 billion rupees (SDR 333).

Remittances from Sri Lankans employed abroad were followed by earnings from rubber, coconuts, gems, refined petroleum products, and manufactured goods for a total 1988 GDP at current factor cost prices of 203.5 billion rupees, a 14.5 percent increase over 1987.

But while exports totaled 55.5 billion rupees, imports came to 75.4 billion rupees, resulting in a balance of trade deficit of 24.3 billion rupees. While the situation improved dramatically in 1989, with a deficit of only 19.8 billion rupees, the Sri Lankan government thinks business can do better and is taking steps to help it do so.

On December 15, 1989, the Ministry of Industries drew up "A Strategy for Industrialization." It envisions transforming the country's economy to production for export by liberalizing rules and regulations and by providing support for the private sector to develop freely. It

hopes to accomplish this by encouraging companies to process natural resources — formerly exported in raw form — into value-added products, by diversification and by "peopling" of state enterprises.

At the same time, it will promote the formation of new export-oriented industries by special incentives, make existing industries internationally competitive, establish linkages between big investors/industries and small producers, and enhance work force skills and productivity through training programs.

The prime agent in the export drive is the government's Export Development Board. Its director general, Camillus Fernando, sees the EDB as a catalyst to development. "We are working to find new foreign markets, encourage local investment and joint ventures, and to promote Sri Lankan products and production capabilities among overseas importers," he says. "For example, while waiting for garment quotas to be expanded in North America and the EC, we are looking for new markets that do not impose quota restrictions."

"One of our imports is raw fabric

to produce garments for export. We would like to see these textiles woven in Sri Lanka. In the same way, we are encouraging local businessmen to tan animal hides rather than ship them untreated."

"Parawood, formerly used for firewood, can be turned into furniture. Overseas publishers are invited to print books in Sri Lanka. We want to export jewelry instead of gems, to sell tea in bags instead of bulk, and to market the tea in creative containers like teapots. We are encouraged by the successes to date. Sri Lankans are beginning to see what can be accomplished and are responding enthusiastically."

Leading the way are long-established foreign companies like Nestlé, Warner-Lambert, Kellwood, Singer, C. Itoh, Noritake and Michelin, as well as the country's oldest and most dynamic local companies.

One of them, Hayleys, started in 1878 by selling rubber and coconuts. Today, it deals in natural fibers, rubber products, essential oils, minerals, brushes, chemicals, activated carbon, agricultural machinery, electronics and engineering. In 1989, it accounted for 1.7 percent of Sri Lanka's exports.

D.S. Jayasundera, chairman of Hayleys, says he is "bullish" on Sri Lanka's future. "I see great potential now that the troubles are over," says Mr. Jayasundera. "We are considering a number of new ventures, many of them in high-value agriculture. We do not want to get into large-scale farming because it creates social problems, so we are subcontracting food production to the farmers."

Aitken Spence is another old-time firm with widely diversified interests. Established in 1871, it is

involved in shipping, freight forwarding, insurance, printing, tourism and air travel, hotels, garments, essential oils and food processing.

"We have succeeded because we have had a highly motivated management team," says Aitken Spence's chairman, Charitha P. de Silva. "We took the unusual step of giving them shares in the company and it paid off," he says.

"Six months ago, the situation was rather depressed. Then, from September through November, the picture changed so rapidly that it took everybody's breath away."

Rather than relying on foreign partners, Aitken Spence is looking inward. "We trust in the competence of Sri Lankans to do the job by themselves," Mr. de Silva explains.

Financing for the private sector is provided by the country's 25 commercial banks, two representative offices of foreign banks, two merchant banks and large number of finance companies, all of which operate under the control of the Central Bank of Sri Lanka. Most banks are independently managed, as are an increasing number of insurance companies now that the government is shedding some of its insurance organizations through privatization.

Still to be developed is an active stock exchange.

"The stock market needs to be revitalized," says H.B. Disanayake, acting secretary to the Ministry of Finance.

"Of the 230 companies listed, only 32-36 trade actively. To enable the stock market to be a more effective means of capital formation, we hope to list more companies and to educate the public on the benefits of investment."

New Ventures in Social Development

In its drive toward economic prosperity, Sri Lanka recognizes that its most important resource is its own citizens. Their health and education must be guaranteed so that they can be productive members of society and so that the country's further development benefits them directly.

To preserve good health, the government in 1989 spent 3.38 billion rupees (US\$84.9 million) or 5.96 percent of the national budget to provide universal free health care.

Education is another important endeavor. Sri Lanka has an 86 percent literacy rate, the second highest in Asia. Its investment in education totaled 7.62 billion rupees, or 13.4 percent of the national budget, in 1989. In addition, it provides vocational training and extension courses for all age groups.

It has moved beyond these basic concerns, however, to include provisions for housing and opportunity. The two are among the boldest experiments by a government on behalf of its people: the shelter scheme and the Janasaviya program.

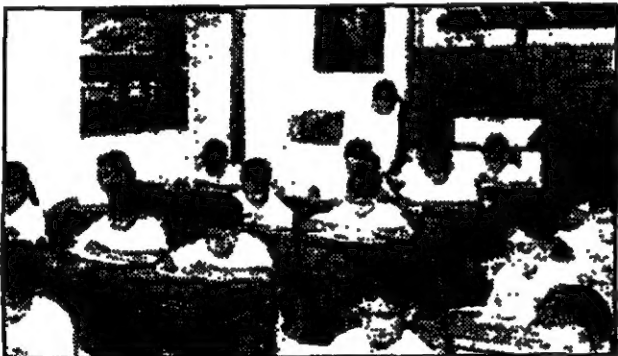
Both are the responsibility of Susil Siravardana, chairman of the National Housing Development Authority and commissioner of the Janasaviya program. "When he was minister of housing, President Premadasa felt that shelter was a basic right of every human being," says Mr. Siravardana. "In 1978, several families were sharing the same house, children were living with their parents, population was rising and there was no shelter for them. Mr. Premadasa pushed the provision of housing to the top of the government's priority list."

What resulted was the Hundred Thousand Houses Program, in which the government hired contractors to build a total of 155,000 houses between 1978 and 1983. Emboldened by its success, the government an-

nounced the start of a successor project, the Million Houses Program, for the 1984-1989 period.

"Then we began making startling discoveries," recalls Mr. Siravardana. "We found that while we had built 155,000 houses, the people on their own had built 500,000 and for a lower cost. We learned this was a universal experience around the world: governments can't build houses. Why? Because houses are individual and personal. If people are left to themselves to do it, they will be more satisfied."

"We had to unlearn, and relearn from the people, trusting them to give direction," Mr. Siravardana continues. "We put our resources into helping families



Improved education and housing are an essential part of Sri Lanka's development plans.

build their own homes. Overnight, we changed from a conventional, state-dominated process to a support function. Costs dropped immediately. We had been spending 35,000 to 40,000 rupees per house and thought we were doing it cheaply."

Under the new program, the cost dropped to 5,000 rupees per house because the people found their own materials and did the work themselves. "It taught us that the primary resource in development is human beings, their ingenuity and energy," Mr. Siravardana says.

The success of the new approach spawned a successor, the 1.5 Million Houses Program, which will be completed by 1994. It also led to the creation in 1988 of one of the most innovative and daring programs in Asia, a poverty alleviation program called Janasaviya, translated as "People Power."

"The program gives people an opportunity not just to subsist, but to make some permanent changes in their lives," says Mr. Siravardana. "It consists of two parts: a Consumption Packet and an Investment Packet."

The 1,458 rupee-per-month Consumption Packet is an outright grant to families earning below the 700 rupees per month identified as the poverty line. One thousand rupees are provided in the form of food coupons. A further 458 rupees are placed in a savings account managed by the local post office.

To obtain the packet, the family must do 20 days of work and four days of review per month. The departure from similar programs is that the work is not in communal labor but in individual projects. The recipient can grow a new crop, learn a skill or start a small business.

The second component is the Investment Packet. Each family receives 1,042 rupees per month for 24 months, or can obtain the entire 25,000 rupees during the first month. Ten people can pool their money to get 250,000 rupees to start a business.

Mr. Siravardana explains: "The money buys them the chance for the first time in their lives to plan their futures. We want to break the cycle of poverty, to give

people a chance to examine themselves and their talents and then see that they have worth."

Administration of the program is also carried out at the village level and is based on the government's principle of trusting the people to find solutions to their problems.

"The village decides who is poor based on visible wealth," explains Mr. Siravardana. "Each hamlet selects four people — one must be a woman — to be members of the Support Team [ST]. The ST is augmented by a low-level civil servant who serves as the link with the government."

To date, most of the money has been used to purchase water pumps and animals to improve farm productivity, says Mr. Siravardana. "One man bought a bicycle and a camera and became an itinerant photographer."

The country's 227 districts have been divided into 11 "rounds" or groups. The first round comprises the poorest 25 districts in the country. Over the next few years, new rounds will be introduced until the entire country has been covered, an innovative program that bears watching by other developing countries.



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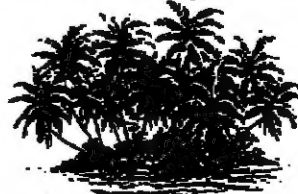
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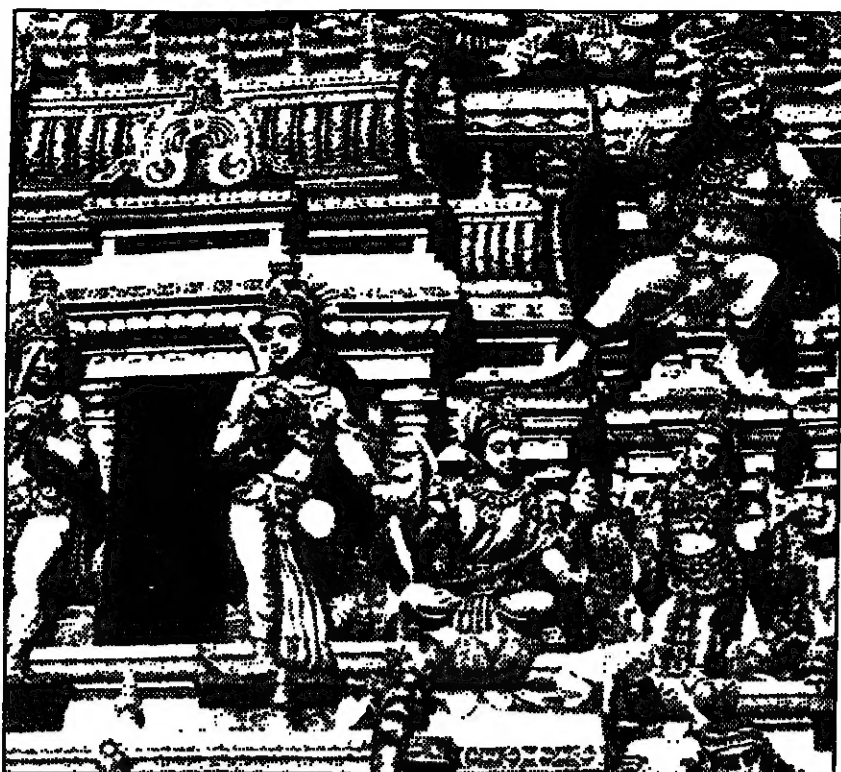
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Gods and goddesses on a Hindu temple between Sigiriya and Kandy.

Telling Teatime Tales: A New Old Export

If the world knows nothing else about Sri Lanka, it knows Ceylon Tea. This mild beverage has become such a favorite among tea drinkers that it is Sri Lanka's number one agricultural export.

In 1988, 226.9 million kilograms were produced and 219.8 million kilograms, or 25 percent of world demand, were exported. Earnings from tea exports represent about 50 percent of Sri Lanka's overseas earnings, and over one million Sri Lankans directly or indirectly earn their livings from tea plantations.

The first tea bush was planted in Sri Lanka in 1870 and quickly took to the cool climate. In the wild, the tree would rapidly grow to 10 meters. Planters trim it like topiary every two to three years, keeping it at waist height.

Tea is grown at three altitudes, and each affects the flavor and color of the leaf. High-grown (above 1,200 meters) is a bright, golden tea. Medium (600-1,200 meters) level has a rich, mellow taste and is considered by many connoisseurs to be the finest. Low (below 600 meters) level has a strong flavor and strong color.

Most plantation workers are employed in picking the tea leaves.

Mechanical pickers have been tried but are not as efficient as human hands. In plucking the fresh green sprigs, the workers follow the age-old dictum of "one bud, two leaves."

In the factory, the tea is "withered" in dry air and then rolled to release its natural juices. It is then "fermented," an oxidation process. After drying in warm air, it is graded and packed.

The finest grades are whole leaves, which are divided in order of descent into Orange Pekoe, Pekoe and Flowery Pekoe. These are the teas one buys in canisters for brewing in a pot.

Ninety percent of the tea is sold at a weekly tea auction in Colombo, the largest such auction in the world. For decades, Sri Lanka has exported its tea entirely in bulk form. The new thrust, however, is to increase its export value by producing tea bags ready to be dipped into hot water.

Central Mountains Tower Over Jungles and Beaches

On the mango-shaped island of Sri Lanka, beautiful beaches encompass broad plains encircled by lush jungles teeming with wildlife. Within these are magnificent shrines of four of the world's major religions. In the center are peaceful hill stations, tea plantations and tall mountains.

Most visits begin at the core of Colombo, known as the Fort. Once surrounded by a wall, it contains the business district and a host of delightful old Victorian buildings, a legacy of British rule. Just east is the Pettah, a teeming Oriental bazaar.

Running south along the shore is the Galle Face promenade with its old cannons and Sunday cricket matches. It hems Buddhist temples, old Dutch churches and a lovely old Moorish palace that serves as a hospital.

The city's most venerable Buddhist monument is the beautiful Kelaniya Raja Maha Vihara. Within its walls is a huge "paddy heap" dagoba (pagoda) dating from the 3rd century B.C. Next to it is a vihara (temple) whose sandstone walls are carved with elephants and dwarfs and whose interior walls are covered in murals.

Jaffna, on the island's northern tip, is the cultural center of the Tamils. For four centuries, until the Portuguese subjugated it in the 17th century, it was an independent Tamil kingdom. It is marked by a superb fortress, numerous Hindu temples like the Naluri Kandaswamy Kovil, and an excellent Archaeological Museum containing exhibits on Tamil life.

Polonnaruwa is a brilliant complex of temples and dagobas that served as Sri Lanka's capital from the 11th to 13th centuries. Sigiriya, due west of Polonnaruwa, is a spectacular fortress perched atop a 200-meter-tall monolith. Built in the 5th century, it is famed for its lovely frescoes of beautiful maidens. Kandy, in the cool hills to the south, is the repository for the Buddha's tooth, which was carried to Sri Lanka by an Orissan princess. The tooth is regarded as the symbol of Sri Lanka's sovereignty and of its ability to survive invaders and colonizers.

Dominant in the 14th century, Kandy is regarded as the residence of the deities who protect the island. It is also the bastion of the island's culture: some of Sri Lanka's most



Painting a demon mask (left); stone Buddhas at the Gal Vihara in Polonnaruwa.

"We also want to attract youths as a means of promoting cultural understanding," says Mr. Fernando. "Seventy million youths traveled around the world in 1988, 17 percent of the total number of tourists."

"We should include Sri Lankan youth in this program. I feel that the problems of the last few years were caused by cultural misunderstandings that might have been alleviated had people known each other better."

The CTB will also promote incentive tours and convention facilities. Colombo's Bandaranaike Memorial International Conference Hall holds 1,500 in its main hall, and the city can provide accommodation ranging from five-star hotels like the Colombo Hilton to renowned old colonial hotels like the Galle Face and Mount Lavinia.

While striving to improve facilities, Sri Lankans have not forgotten the prime reason tourists visit their country. As President Premadasa said in a speech on April 2, "do tourists... want to enjoy the... high rises dotting the city's skyline? Certainly not... they've got bigger and better high rises in their own countries. They come here because they've heard of our great history and heritage... our rites and rituals, flora and fauna, our shrines and ancient ruins."

He has suggested creating village stays where a visitor can learn firsthand of Sri Lankan life and gain a perspective on Asia that few holidays can offer.

This advertising section was written by Steve Van Beek, author of *The Arts of Thailand*.

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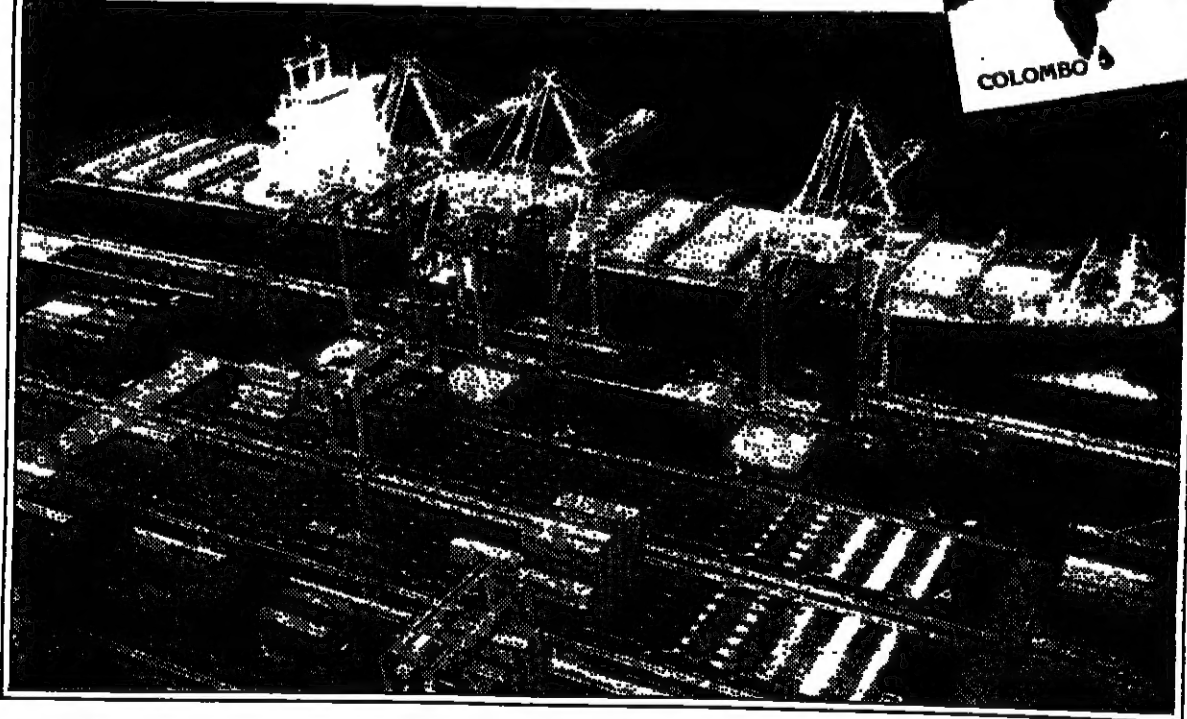
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ASIA/PACIFIC

Taiwan Energy Needs to Drop

Officials Link Decline to Slowing of Industrial Growth

TAIPEI — Taiwan, in the midst of an industrial slowdown, is expected to reduce both oil and coal imports this year and lower its own output because of falling energy consumption, officials said Friday.

Taiwan imported about 29.5 million kiloliters (7.7 billion gallons) of crude and fuel oil in 1989, up from 27 million kiloliters in 1988, officials of the government's Energy Commission said.

But oil imports are expected to fall to about 28 million kiloliters this year, said the committee's director, Kao Jih-an.

He said coal imports fell to 16.8 million metric tons from 17.5 million tons, and would drop further, to 16.3 million tons, in 1990.

Officials said both oil and coal imports would fall because Taiwan's industry, including the important manufacturing and ship building sectors, were using less energy.

Industry's energy needs accounted for about 60 percent of all consumption in 1989, they said, and is expected to drop to 58 percent this year. In 1986, it used 63 percent.

Industrial growth, which was 13.9 percent in 1988, rose by 4.43 percent in 1989 and only 3.7 percent in 1989, officials said. It is expected to slow even further this

year, they said, without giving figures.

Many labor-intensive factories, including those making footwear, toys and textiles, have closed or moved their plants overseas because of labor shortages, anti-pollution protests and the appreciation of the Taiwan dollar in the past three years.

Taiwan's shipbuilding industry, once a big consumer of energy, has all but folded in the face of stiff competition from mainland China and India, officials said.

Samsung to Expand And Run Moscow Hotel

SEOUL — Samsung Co. has agreed to expand a hotel in Moscow and jointly manage it with the Soviet Union, a company spokesman said Friday.

The spokesman said the Korean company was expected to invest about \$20 million by the end of 1991 in renovating and expanding the Sports Hotel, currently managed by the Soviet government. Despite the lack of official ties, Seoul and Moscow have increased business contacts since the 1988 Seoul Olympics.

Such service industries as banking, insurance and stock brokerage are now using more energy, but that increase will not be equal to the decline in the industrial sector, an official at the Bureau of Statistics said.

"The energy consumption by the service sector will continue to rise in the next few years," he said. "But it only accounted for about 25 percent of the island's total consumption in 1989."

Taiwan itself produces only about 3,400 barrels of crude oil and about four million cubic meters (140 million cubic feet) of natural gas per day, according to the Ministry of Economic Affairs.

But the gas reserves will be depleted in about 10 years, said Lin Chang-piao, director of the ministry's Mining Department.

Taiwan's coal production will drop to about 600,000 tons in 1990 from 784,000 tons in 1989 and 1.2 million in 1988, according to the Bureau of Mines.

"The bureau's director, Chen Shian-chang, said the decline was being caused by higher mining costs and fewer miners."

"Many workers are switching their jobs to other, less risky industries," he said. "Local mines cannot compete with imported coal because of higher operation costs."

Toray's Stock Shoots Up on Boeing Pact

Compiled by Our Staff From Dispatches

TOKYO — Toray Industries Inc., Japan's top maker of synthetic and carbon fibers, said Friday it had signed an agreement with Boeing Co. to supply a new carbon-fiber-reinforced plastic to be used in the U.S. company's next generation of passenger aircraft.

A Toray spokesman said details of the pact would be announced soon. He described as speculative a report in the *Nikkei* that Boeing was to acquire a 30 billion yen (\$305 million), 10-year order from Boeing to begin in 1992. But the report helped boost Toray's stock. It closed at 788 yen, up 22.

The spokesman said Boeing tested the plastic for use as a structural element in its B-767X, the 300-seat plane it is proposing to develop with Japanese aerospace companies.

The material, Toray's *Prepreg* 72302, is a preimpregnated carbon-fiber-reinforced plastic that is lighter and stronger than most current types. It will be used for tail assemblies and other key aircraft components, the spokesman said.

Tokyo Stocks, Yen Slip; Taiwan Market Tumbles

Compiled by Our Staff From Dispatches

TOKYO — Tokyo shares fell as the yen slipped and the troubled Taiwan market ended sharply lower among the few stock exchanges open on Good Friday.

The Nikkei Stock Average of 225 selected issues, which gained 182.92 points Thursday, lost 409.28 points, or 1.38 percent. It ended at 29,213.92.

Trading was thin, with 320 million shares changing hands on the market's first session, down from Thursday's 430 million.

"Volume was extremely small. The index came down on small-lot selling amid a wait-and-see mood, rather than in active buying and selling," said a Nippon Kangyo Bank securities Co. dealer, who spoke on condition of anonymity.

The dealer said many market participants retreated to the sidelines to watch movements in the foreign exchange and bond markets.

Yoshihide Koyama, an equity analyst with Nikko Securities Co., also attributed the decline in the Nikkei index to investor worries over speculation that Japan's central bank may raise its official discount rate once again in an attempt to halt the year's recent downswing.

A Bank of Japan official refused to comment on the speculation.

On March 20 the bank raised its key rate, charged on loans to com-

mercial banks, by 1 percentage point, to 5.25 percent. Higher interest rates tend to support a country's currency, but discourage stock investment by raising borrowing costs and increasing the returns available from the credit market.

In Taipei, stocks fell to a sharply lower finish as investors rushed to sell holdings in the last minutes after the index failed to pull out of an early slump, dealers said.

The weighted index lost 375.14 points, or 3.7 percent, to end at 9,603.72. Volume rose to 103.5 billion Taiwan dollars (\$3.95 billion) from 84.2 billion on Thursday.

Last Saturday, the index fell a record 612.45 points. Tight credit conditions, which the central bank has promised to ease, were cited for the decline along with weakness in Tokyo. After continuing to slide, prices firmed Wednesday and Thursday.

Most investors were disappointed on Friday because big players didn't come back to the market to help buoy prices, dealers said.

In Tokyo currency trading, the dollar rose 0.42 yen, to 158.42 yen. The U.S. unit rose to 1.6717 Deutsche marks from about 1.6695 DM on Thursday.

The British pound fell to \$1.6410 from about \$1.6455 on Thursday.

Market doubts over the strength of Group of Seven political coordi-

Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong Hang Seng	2200	2995.69	-	-
Singapore Straits Times	1500	1525.22	-	-
Sydney All Ordinaries	1400	1498.30	-	-
Taipei Nikkei 225	2800	29213.92	29623.00	-1.38
Kuala Lumpur Composite	1200	556.82	555.33	+0.27
Bangkok Book Club	1000	731.69	-	-
Seoul Composite Stock	1100	806.86	-	-
Taipei Weighted Price	1300	9978.86	-	-
Manila Composite	1200	326.26	-	-
New Zealand Barclays	1100	1733.62	-	-
Bombay National Index	1000	406.08	-	-

Source: AFP

International Herald Tribune

NOMURA: Tug-of-War With Muckraking Author

(Continued from first finance page)

more. For every example in the book, there are five others I didn't use."

But the scarcity of public documentation on securities violations in Japan may affect Mr. Alletzhauser's defense, lawyers in Tokyo said. Mr. Alletzhauser and Bloomsbury are represented by David Hooper, a London libel lawyer known for his successful defense of Peter Wright, whose book "Spy-

catcher" came under attack by the British government for disclosing intelligence secrets.

In Japan, Finance Ministry and stock exchange authorities generally conduct investigations in secret and are not required to disclose their findings. Cases seldom go to court.

"Japan's big brokerage houses are all into dirty practices," said Shuzo Nakashima, a Tokyo securities lawyer. "But where's the evidence? These things don't come out in the open."

BTR: 64% of Norton Tendered

(Continued from first finance page)

significant majority of shareholders supported the BTR offer."

Now the outcome of the takeover attempt seems to turn all the more on a court fight over the date of the annual meeting.

When it rejected BTR's bid as inadequate, Norton also canceled the annual meeting and rescheduled one for June, saying it needed time to consider alternatives to the BTR bid.

If the meeting is held as scheduled, only stockholders of record from March 2 will be eligible to

vote in electing a board of directors. That would effectively kill Norton's chances of enlisting the help of friendly investors to fend off BTR's proxy fight for control of the board.

On Wednesday, BTR won a U.S. District Court order directing Norton to hold its meeting as scheduled. However, Norton immediately appealed the decision to the 1st U.S. Circuit Court of Appeals, which could hear the matter as soon as Tuesday.

BTR launched its proxy fight for control of the Norton board Thursday, the day after it won the court decision ordering the early annual meeting, with a slate of directors committed to accepting the takeover offer.

BTR, Britain's ninth-largest company in terms of stock-market capitalization, is also one of its most acquisitive.

The company, which was originally the British subsidiary of B.F. Goodrich Co. of the United States, has a long history of buying mainly industrial companies that make high-quality products for niche markets, investing heavily in them to lower their costs and helping them expand throughout the world. It is also known for being aggressive in getting the highest possible prices for its products.

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HUNGARY: No Halfway Steps

(Continued from first finance page)

far faster than tax revenues. Mr. Kornai contends, the game will be lost.

If Mr. Kornai's proposal for "major surgery" on the Hungarian economy sounds like the "shock therapy" now being tried in Poland, it should come as no surprise.

The Polish experiment is largely the brainchild of Jeffrey Sachs, a colleague of Mr. Kornai's at Harvard who shares his conviction that moderation in the pursuit of systemic economic change is no virtue.

The economic logic of moving simultaneously on every front, rather than trying to coordinate a thousand reforms in sequence, now seems almost unassailable.

What has yet to be determined, though, is whether people raised in a system in which economic security was prized more than prosperity will rise to the challenge.

That explains why Mr. Kornai believes that successful economic transition is so closely linked to political reform. Without the enthusiastic consent of the governed, the road to a free market may simply be too painful to travel.

WORLD STOCK MARKETS

Agencies: Reuters, April 13

Market	Index	Change
Milan	10,400	+100
Tokyo	29,213.92	-409.28
Nikkei	29,213.92	-409.28
London	2,900	+100
Hong Kong	2,995.69	-
Singapore	1,525.22	-
Sydney	1,498.30	-
Taipei	29,213.92	-1.38
Kuala Lumpur	556.82	+0.27
Bangkok	731.69	-
Seoul	806.86	-
Taipei	9,978.86	-
Manila	326.26	-
New Zealand	1,733.62	-
Bombay	406.08	-

GATT Expansion Opposed by U.S.

WASHINGTON — The time is not right to expand the General Agreement on Tariffs and Trade group into a full global institution to be called the World Trade Organization, the U.S. trade representative, Carla A. Hills, has said.

The proposal to expand GATT, now 105 nations, was made by Canada's international trade minister, John Crosbie, on Thursday at GATT headquarters in Geneva.

Mrs. Hills responded that enlarging GATT was a matter of timing and, if raised now, could divert efforts to reform world trade and strengthen GATT operations during the current negotiations. "We have to lay the groundwork before we build the courthouse," she said.

INTERNATIONAL MANAGER BY SHERRY BLOCHMAN IN THE HIT EVERY THURSDAY. ESSENTIAL READING FOR EXECUTIVES WORKING IN THE INTERNATIONAL MARKETPLACE

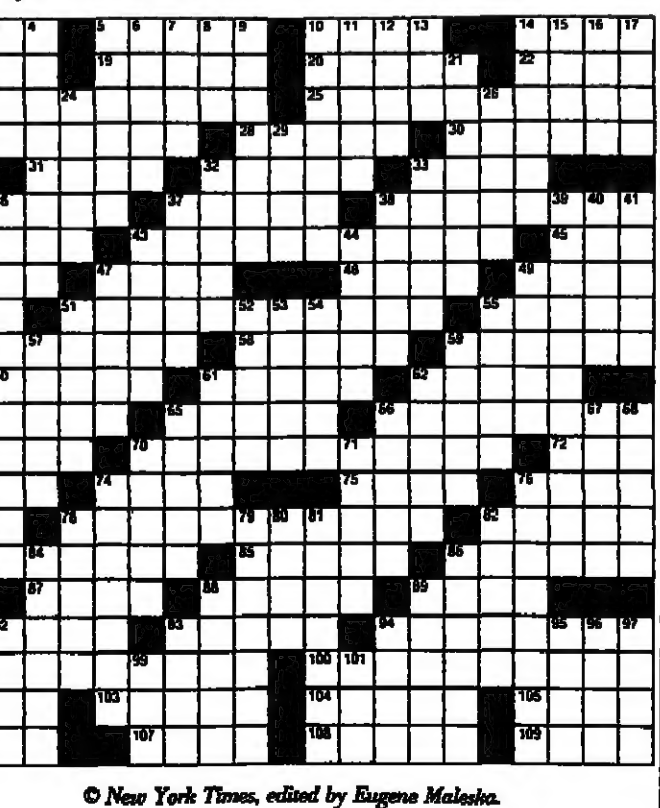
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- Sea birds
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- luck or snack
- Stars-down
- Crazy talk
- Ava's was
- barbecue
- Honks
- Red crystal
- Division word
- Pickle fluid
- Charter
- Plants with two
- seed leaves, for
- short
- Thin pancakes
- Certain
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- Make amends
- Wreck wonders
- Knock
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- weathermen
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- Right-hand
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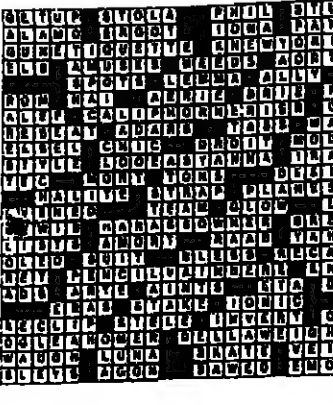
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- Dear followers,
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- City facing
- Lake Huron
- Musical paces
- Head-shaped,
- to botanists

C + By Judith C. Dalton



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Solution to Last Week's Puzzle



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SPORTS

The Wounds of Hillsborough Stadium Heal Slowly

In a hospital room in Keighley, England, the only sign of life from 19-year-old Tony Bland is an occasional blink or yawn.

Bland was caught in the crush at Hillsborough Stadium a year ago and remains unconscious. His parents say he "is in limbo somewhere" and, to try to touch some spark of life that might remain deep inside him, they have bombarded him with soccer.

"We have tried everything — showing him soccer matches on TV and playing his favorite commentaries and music through earphones," his father, Alan Bland, said. "His hospital room is covered with football memorabilia, but there is just nothing there."

By Larry Siddons

The Associated Press

SHEFFIELD, England — Soccer marks an anniversary this weekend of the type it alone among sports seems capable of producing.

A year ago Sunday, on a soft spring day, 95 fans were crushed to death as they watched the kickoff of an English playoff game at Hillsborough Stadium.

It was the highest documented death toll in European sports, more than from the riots of Hoyal or the flames of Bradford City. It focused attention on dilapidated stadiums, antiquated attitudes and the danger fans face when they go to games.

For many of those who survived or lost family and friends, it also left a nightmare that has lasted for 12 months and may go on for many more.

"Each person has their own individual anniversary, but Sunday is the one we all share," said Trevor Hicks, whose two teenage daughters died in the crush. "It is a significant milestone for everyone. It marks the end of the first and perhaps the most difficult year."

"It doesn't get any easier — you just get more able to cope with the situation."

Hillsborough will be closed Sunday, with no ceremonies planned there. But in Liverpool, the home of most of the victims, some 30,000 people are expected to attend a memorial service at Anfield Stadium.

Next week, inquests begin into the 95 deaths. They are expected

to lead to compensation claims that some lawyers have estimated could total \$50 million.

More than \$16 million, from donors worldwide, already has been placed in trusts for the families of those who died or suffered serious injuries.

As with most large-scale disasters, the mental aftermath of Hillsborough has been severe. Social service centers say about 300 fans regularly seek help.

"You have to listen to someone who breaks your heart," said Susan Jenkins, a counselor who deals with Hillsborough survivors. "They've been prisoners for the past year. There's so much raw feeling for the football club and so many people trying to make sense of it all."

Hicks is chairman of the Hillsborough Family Support Group, a clearinghouse for information in the aftermath of the tragedy and a pressure group trying to ensure that it does not recur.

A year ago, he was just a fan, traveling with his family from their suburban London home to this down-at-the-heels north England city to watch their beloved Liverpool play Nottingham Forest in the semifinals of the FA Cup, one of soccer's top tournaments.

The sky over Hillsborough was crystal clear. The temperature was balmy. It was a perfect day — until just before the kickoff.

Liverpool fans arriving late because of heavy traffic started to build up on Leppings Lane, a street of rowhouses and shops that hugs the stadium. They could not get through the turnstiles fast enough and the police, afraid that people in the swelling crowd outside would be injured, ordered a large gate opened to let them in.

Eager to get to their places in time for the start of play and left without directions by the police or stadium ushers, the fans ran toward the first entrance they saw — a large tunnel into the top of the standing-room section, or terrace, as they are known here.

The section already was full and the late surge pushed thousands of fans forward. Iron barriers gave way. People were trampled onto concrete. Those at the front, including dozens of teenagers, were crushed against steel-mesh anti-riot fences. With sever-



AP/Wide World

'Grounds are a bit safer than they were, though they are still far from satisfactory. There is still a lot to be done, and we will make sure it happens.'

Trevor Hicks, Hillsborough Family Support Group.

al tons of weight bearing down, life literally was squeezed out of them.

"At first, you didn't know anything was happening. There were so many people," said Graham Mackrell, secretary of Sheffield Wednesday, the club that calls Hillsborough home.

The game went on for several minutes. A government inquiry heard that police and ushers were slow to react, thinking at first that it was another case of rowdy behavior that has plagued soccer crowds for a decade. When the true nature was realized, inadequate exits prevented quick evacuation of the injured and dying.

The terrace at Hillsborough was left strewn with discarded clothing and twisted metal. The side-

walk outside, where the crush started, soon was filled with flowers and other tributes to the victims.

The 95 dead and 170 injured from the crush surpassed the 39 fans killed in riots at the European Champions' Cup final at Heysel Stadium in Brussels in May 1985; the 56 burned to death in a fire at the soccer stadium in Bradford, England, 11 days earlier; and the 66 crushed to death when a stairway collapsed at Ibrox Stadium in Glasgow in January 1971.

English soccer took a few days off to mourn. Then Liverpool went on to win the cup and miss the league championship by one goal in the last minute of the season.

Just before the start of the new season in August, the inquiry led

by Appeals Court Justice Peter Taylor issued his report. It criticized police and soccer authorities for slipshod planning but saved its strongest blast for stadiums where the games are played and the attitude officials have toward their fans.

"Football supporters have put up with conditions on the terraces over the years that should not be required of them," Taylor wrote. In a later report, he compared fans in England's century-old stadiums to prisoners of war.

Soccer is working to meet one of Taylor's main recommendations — the elimination of standing-room areas. It also is slowly taking down the eight-foot-high (2.4-meter-high) stockades such as those that acted like death traps at Hillsborough, replacing them with moats and much-lower fences.

"Grounds are a bit safer than they were, though they are still far from satisfactory," Hicks said. "There is still a lot to be done, and we will make sure it happens."

Mackrell said "catastrophically" that all possible precautions had been taken before last April's tragedy but that too many people showed up too close to kickoff.

At the same time, he said, Sheffield Wednesday officials accepted the Taylor report's findings and were trying to meet its recommendations.

Earlier this month, officials agreed to remove the stadium's perimeter fences at the end of this season, and in Mackrell's office at Hillsborough is a section of plastic seating, one of many under consideration to replace the terraces.

The standing-room section at Leppings Lane has been spruced up, the fences and crush barriers painted the bright blue of the sky that fateful day a year ago. But no fan stands there when Wednesday plays, nor are they likely to again, Mackrell said.

"They took some of the barriers away for metallurgical testing in the inquiry, so without them the area does not meet safety standards," he said. "But there is the emotional factor as well. I don't think it will reopen as terraces. I think we will wait until it has been replaced by seats."

Soccer is the world's most-popular sport. Millions of fans jam

stadiums around the world each weekend for games, and this summer's World Cup is expected to attract television audiences in the billions.

With the popularity has come an emotional attachment that no other sport can match. This almost-religious bond between team and fan is what many experts believe leads to tragedies such as Hillsborough and, in turn, will make dramatic change difficult.

"It is so big, the biggest number of people you have gathered in one place at one time. And to these people, soccer transcends it all," Mackrell said.

He noted that efforts to bring people to stadiums early, as American sports do and as Taylor recommended, had failed miserably with soccer.

"People pay their money and they want to watch soccer, not majorettes," he said. Likewise, Mackrell said, tradition and transition would prove obstacles to implementing some other reforms.

The objections to eliminating standing room will be loud, he said, noting that recent opinion polls found less than half the fans sampled wanted stadiums changed to all-seats.

"It has mostly to do with a feeling of membership, of being with your friends," he said. "Standing is what soccer fans like to do."

"And the Taylor report suggests that stadiums be built in greenfield (openland) sites. This stadium was built on greenfield at the turn of the century, but it didn't take 20 years before the area around it was built up."

The anniversary falls on Easter, and full English soccer league cards are scheduled Saturday and Sunday. Liverpool plays twice and would move toward a record 18th league title if it wins both.

Attendance is up for the fourth consecutive year in the league. TV ratings are high. The national team has a chance for the World Cup title in Italy this summer. Despite all the problems it faces, soccer in England is booming and its hold on fans remains tight.

That hold is evident in the hospital room in Keighley, where Tony Bland lies unconscious amid his soccer memorabilia.

SIDELINES

Top Seeds Outlast Foes in Tokyo

TOKYO (UPI) — Top-seeded Ivan Lendl, Stefan Edberg and Brad Gilbert each overcame three rain delays and their opponents Friday, advancing to the semifinals of the \$1 million Japan Open.

The match between the No. 4 seed Aaron Krickstein and No. 5 Michael Chang was suspended after a fourth rain delay. Krickstein won the first set and took the first game of the second set before play was halted.

Lendl defeated No. 10 Andre Mansoor of Israel, 6-4, 6-2. Edberg defeated American Jim Grabb, 6-3, 6-3, and Gilbert defeated Australian Wally Masur, 6-1, 7-6 (7-4).

Edberg will face Gilbert in the semifinals while Lendl meets the winner of the Krickstein-Chang match.

"The playing conditions were very, very bad," Lendl said. "I didn't understand it. It affected both of us. It was very unfair to both of us."

2 Share Lead at 67 in Cannes Golf

MOUGINS, France (AP) — Mike Harwood of Australia and Ross Drummond of Scotland, both shooting 5-under-par rounds of 67, edged a shot clear of the field after the first round Friday in the \$510,000 Cannes Open golf tournament.

They were followed by American Peter Terravain and Anders Sorenson of Denmark who both shot 68 over the 6,205-meter Mougins Country Club course.

Harwood picked up five birdies in a bogey-clear round. Drummond collected seven birdies but dropped two shots to par.

Rose Banned From Phillies Reunion

NEW YORK (AP) — Pete Rose will not be allowed to take part in the 10th anniversary reunion of the Philadelphia Phillies World Series championship team in the fall because of his lifetime ban from baseball, the commissioner, Fay Vincent, said.

Rose, the former Cincinnati manager who is baseball's all-time hits leader, was banned from baseball last Aug. 24 by A. Bartlett Giamatti, then the commissioner, after a six-month investigation determined he had gambled on several sports.

Maryland Halts Sports Scholarships

COLLEGE PARK, Maryland (AP) — The University of Maryland has frozen scholarships for all varsity sports, citing anticipated revenue losses of up to \$4 million over the next two years stemming from recent sanctions imposed on the men's basketball program by the National Collegiate Athletic Association.

Low Perkins, the athletic director, said the university will honor scholarships already accepted. The football and basketball teams have already signed virtually all of their players for next season. The Washington Post reported Friday.

The NCAA has banned Maryland from post-season play for the next two years and from live television next season. Maryland has also been ordered to return \$407,000 in basketball tournament receipts.

For the Record

Diego Maradona of Argentina, who's getting in shape for the World Cup finals, will need new soccer shoes after losing about seven kilograms (15 pounds), which caused his feet to shrink by half a size. (AP)

PSV Eindhoven's injured striker, Romario, will be included in Brazil's 22-man squad for the World Cup finals to be named on Monday, Sebastiao Lazaroni, the national coach, said. Romario has had two operations since he broke his right leg on March 4. (Reuters)

Ronald Gullit, the Dutch soccer international sidelined for almost a year, said he may play for his club, AC Milan, on April 22 if his knee specialist gives him the go-ahead. (Reuters)

Quotable

Calgary's coach, Terry Krup, on the Flames' 12-4 NHL playoff loss to Los Angeles on Tuesday night: "We were spanked damn good. We were not happy about that and we want to rectify matters." (The Flames won, 5-1, on Thursday.) (AP)

BOOKS

A HISTORY OF WEST GERMANY: Volume I: From Shadow To Substance, 1945-1963; Volume II: Democracy and Its Discontents, 1963-1988

By Dennis L. Bark and David R. Gress. 1,146 pages. \$34.95 per volume. Basil Blackwell, 432 Park Avenue South, New York, N. Y. 10016.

Reviewed by Norman Stone

MARGARET THATCHER and her foreign secretary have been curiously toward the unification of Germany. What do they worry about? West Germany, an Anglo-American creation in 1949, has become in most ways a model European state.

We have won the war, in the sense that the old German Adam is no more. Since the German economy is so strong, we have a very valuable partner and ally. Who would have expected this in 1945, when the Germans were widely hated?

Dennis L. Bark and David R. Gress, historians with the right background, have written the history of this miracle, in two large volumes (1945-1963 and 1963-1988, respectively). Their basis is broad and powerful.

They have read their way through a prodigious number of works, and pay proper respect to the six-volume Brockhaus Geschichte der Bundesrepublik

("The Brockhaus History of the Federal Republic") that appeared in the 1980s — a work, they say rightly, that has no equivalent in any other language or for any other country. Their own approach is chronological, with the stress on foreign political considerations.

The first volume is dominated by the integration of West Germany into NATO, the European Community, etc., and the second by "Ostpolitik," the increasingly close relations with Eastern Europe, East Germany in particular. Personalities are handled well, with Adenauer presiding over the first volume, and Brandt over the second.

The second volume was finished some months before the Berlin Wall came down, and so the authors could not begin to attempt speculations about the future. But they have no doubt that West Germany "can provide leadership that is strong, wise and judicious."

We in Britain and the United States will have to do our homework to follow Germany's new role in Europe, and the homework begins with Bark and Gress, whose book, encyclopedic in scope and depth, is well-organized and plainly written, making things quite easy for the reader.

Whether on de-Nazification, or on that endlessly apologetic natural consciousness, or on the movement in the late 1960s when in West Berlin of all places the students turned Marxist, the writers can be read with profit. They are also sound and informative

on cultural matters. I should have liked to see them put boot with much greater vigor into those mountebanks who persist in treating great works as a fit subject for facile left-wing interpretations. Do these people just hate the German past, or what?

A feeling, too, emerges of the provinciality of so much of German life: often a healthy provinciality, in that the life of the provinces is not sucked out by a great metropolis, as happens all too often with London and Paris.

We seem, now, to be on the verge of another German unification. Will it bring power politics, and a new strategy of friendship with Russia at the expense of "Europe" and the Atlantic? I doubt it.

East Germany, with its crippled socialist economy, will be a burden, not a gain. And in any case the character of Germany is now quite different, thanks to very good work done by Britain and especially the United States.

It would, I think, be a very suitable thing if, upon the unification of Germany, a well-executed monument is put on the river Oder, with the legend: "To the people of the United States, the German people say thank you. You saved them from themselves."

Norman Stone is professor of modern history at Oxford University. He is the author of "The Eastern Front, 1914-1917" and "Europe Transformed, 1878-1919." He wrote this for The Washington Post.

BRIDGE

By Alan Truscott

ONE of the greatest female players in the history of the game died in January, just short of her 88th birthday. She was Margaret Wagar, an Atlanta resident most of her life, who retired from the game in 1978. In 1955-58 she set a record, never likely to be equaled, by winning a national pairs championship four straight times. It was the Women's Pairs, and her partner was the late Kay Rhodes. Her 24 national titles included two victories in the prestigious Spingold Knockout Teams, in 1946 and 1948. On the latter occasion she held the South cards shown, and turned a defeat into a victory with a Chinese finesse.

Her partner was the late John Crawford, and he bid a confident seven spades when South's rebid was a jump to four spades, showing, by agreement, a solid suit. He hoped that his partner held a seven-card suit, or a side king, or the diamond jack, but she had none of them.

But Wagar showed no signs of dismay on viewing the dummy. She drew trumps and led the heart queen for a "finesse." When it held the trick she established a diamond winner in dummy by ruffing the fourth round, making the grand slam.

West should no doubt have covered with the king, for if South held a Q-J-10 or Q-J-9 combination the grand slam would be unbeatable, but Wagar gets the credit for a bold swindle. "Never in my life," said Crawford later, "have I seen a woman lead a queen so much as if she had the jack."

NORTH			
♠	AKQ84	♥	A87
♦	AKQ3	♣	AKQ
♠	AKQ84	♥	A87
♦	AKQ3	♣	AKQ
SOUTH			
♠	AKQJ9	♥	Q1083
♦	AKQJ9	♣	Q1083
♠	AKQJ9	♥	Q1083
♦	AKQJ9	♣	Q1083

Neither side was vulnerable. The bidding: South 1♠, North 2♠, South 3♠, North 4♠, South 5♠, North 6♠, South 7♠. West led the spade three.

PEANUTS



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



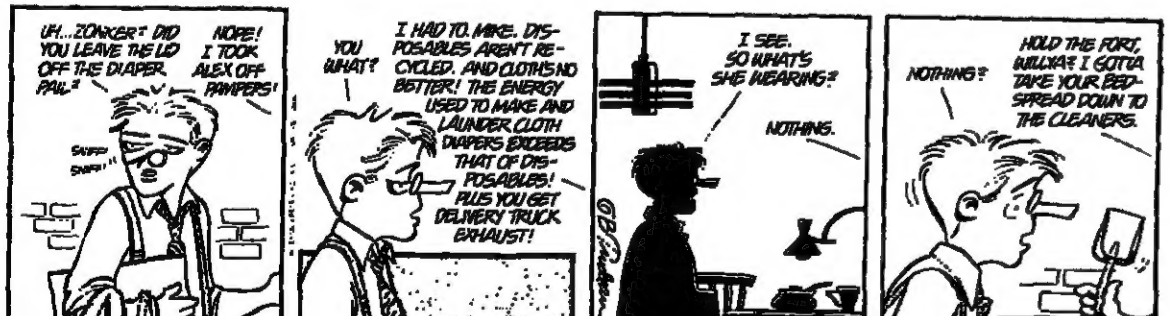
REX MORGAN



GARFIELD



DOONESBURY

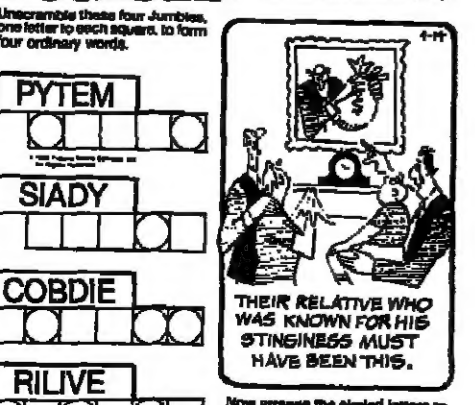


DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.



Answer here: _____

BLONDIE



I'M GOIN' OVER AND LISTEN TO MR. WILSON DO HIS INCOME TAX.

Yesterday's Jumble: BLAZE CLOAK LUNACY PACKET. Answer: What it takes to have no eyebrows — A LOT OF FLUX.

Answer: What it takes to have no eyebrows — A LOT OF FLUX.

SPORTS

Maple Leafs Eliminated by Blues, Flames Stay Alive by Routing Kings

The Associated Press
After losing seven of eight games to the Toronto Maple Leafs during the regular season, the St. Louis Blues knocked Toronto out of the National Hockey League playoffs in five games with a 4-3 victory Thursday night in St. Louis.

The Blues became the first team to advance in the NHL playoffs.

NHL PLAYOFFS

moving into the Norris Division finals against the winner of the Chicago-Minnesota series. The Blackhawks went up three games to two in that best-of-seven semifinal with a 5-1 victory over the North Stars.

Both starting goalies, Jeff Reese of Toronto and Curtis Joseph of St. Louis, were injured in the third period and had to leave the game.

Gary Leeman got his second goal with 6:17 left off Joseph's replacement, Vincent Riendeau, to cut Toronto's deficit to one. But Riendeau stopped Daniel Marois on a breakaway with 4:44 to go.

Riendeau profited by watching all of the series. He said he knew Marois would try to hold the puck

to the last second and then try to beat him with a high shot.

"That's his favorite shot," Riendeau, who made a glove save, said. "He tries to hold on, hold on, get you back in the net, then throw it upstairs."

Blackhawks 5, North Stars 1: In Chicago, Jeremy Ruenick and Denis Savard scored first-period goals for the Blackhawks, who were in such command in that period that they had a 14-2 edge in shots on goal. The North Stars never seriously threatened.

"I don't know about a perfect game, but I know we played well from start to finish," the Blackhawks' coach, Mike Keenan, said.

Flames 5, Kings 1: In Calgary, Alberta, defenseman Ric Nattress, who had only one goal during the season, scored twice as Calgary stayed alive in a bid to repeat as Stanley Cup champions.

Rob Blake ruined the shutout bid by Calgary goaltender Mike Vernon with a goal early in the third period.

Joe Nieuwendyk, who had a

power-play goal and three assists, said the Flames were motivated by fear. "We were all afraid of what might happen," he said. "The guys were quiet, not saying anything. We knew it was going to be tough, but we showed a lot of composure."

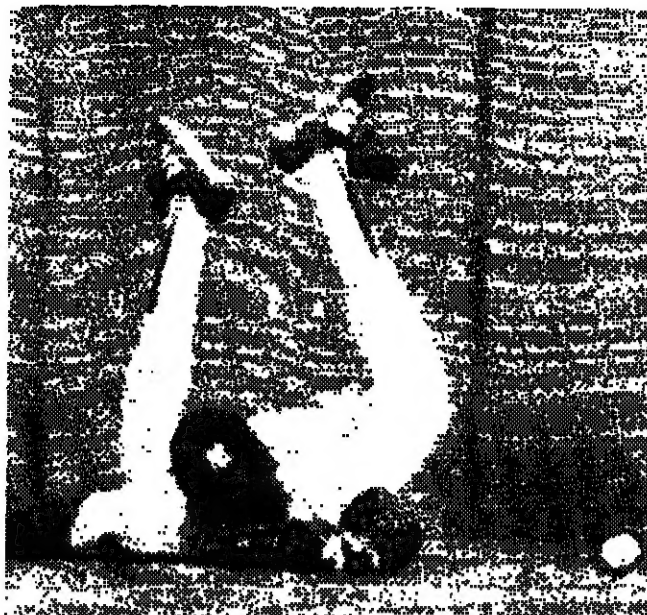
Oilers 4, Jets 3: In Edmonton, Alberta, Mark Messier scored the winning goal early in the third period as the Oilers kept their playoff hopes alive.

Goaltender Bill Ranford made a brilliant pad save on Jets forward Dale Hawerchuk with less than a minute left in the third period to preserve the fragile lead. The Oilers also killed off a late Jets power play.

Nolan Out for Season

Chris Nolan of the New York Rangers broke his right arm during the playoff game against the New York Islanders Wednesday night and will miss the rest of the season, The Associated Press reported from New York.

Nolan broke the ulnar bone in his arm during the first period, a Rangers spokesman said Thursday. Nolan played for two periods before leaving in the third.



The Yanks' Roberto Kelly tasted grass as he missed a double.

Veteran Hernandez Finds Everything New

The Associated Press
NEW YORK — The jersey was new, just like the league. Keith Hernandez was in unfamiliar territory, starting the next — perhaps final — stage of his career.

He was sitting in front of his stall at Yankee Stadium, dragging on a cigarette and sipping a beer. Nothing had changed, yet everything was different.

Yes, he was in New York for opening day. But he was in the Bronx, at Yankee Stadium, not Queens. He was wearing the navy blue of the Cleveland Indians, not the royal blue of the New York Mets. And he was in the American League, not the National.

After 17 seasons in the National League with the St. Louis Cardinals and the Mets, Hernandez began his American League career Thursday by going 1-for-4 in Cleveland's 6-4 loss to the New York Yankees.

He looked a little strange with Chief Wahoo on the collar of his uniform. But the stroke was the same. Fly to deep left. Sharp single down the right-field line.

"It's different. But it doesn't feel strange," Hernandez said. "It's the first game of the year, too, so you have the nervous jitters."

After the 1989 season, the Mets let Hernandez become a free agent. He signed with Cleveland for \$3.5 million over two years.

The Mets wanted to go with youth, so they cut loose Hernandez and Gary Carter.

"I understand that," Hernandez said. "I was young and I took Joe Torre's job and they traded Joe Torre. Now, I'm the 36-year-old."

When he started looking for teams, Hernandez made it known that he wanted to go where he could play every day. Houston was interested, but only as a backup to Glenn Davis. Oakland wanted him, but only as a designated hitter. The Indians were the only team that offered a starting job.

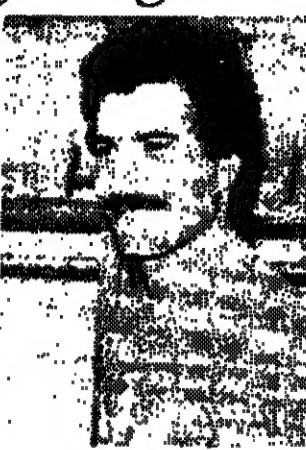
"I'm not ready to be a backup," Hernandez said.

The dollars helped make his decision, but he says that wasn't the key.

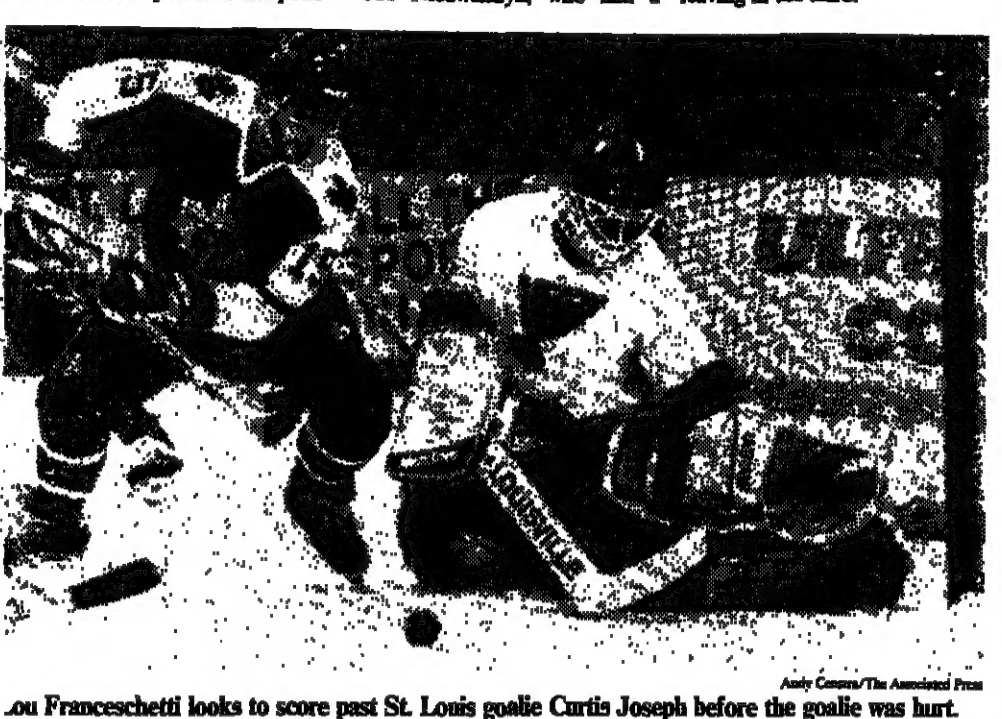
"Come on, money's a factor," he said. "I'm 36 years old. I've been through a divorce where I lost some money. But it's important for an athlete to feel wanted, and that's why I chose Cleveland."

Hernandez was bothered by leg injuries the last two seasons. He was batting .282 when he broke his kneecap last May 17 and finished at .233 with four home runs and 19 runs batted in in 75 games.

Even though he's playing in Cleveland, Hernandez kept his New York apartment. He's been seen around town with the actress Martha Mason.



Keith Hernandez



Joe Franceschetti looks to score past St. Louis goalie Curtis Joseph before the goalie was hurt.

Public Works Delays Could Hamper Cup

The Associated Press
ROME — Italian stadiums will be ready for the World Cup, but several major public works projects won't be completed in time for the nonstop soccer competition starting June 8, Italy's minister for urban affairs has reported.

In a report to Parliament on Thursday, Carmelo Conte warned that work on several roads, parking areas and subway lines would not meet the deadline. He blamed the delay on the lack of organization and even archaeological discoveries.

Conte also cited skyrocketing

costs, noting that work on the Turin, Rome and Naples stadiums is costing from 86 percent to 126 percent more than initial estimates.

Conte also reported that 24 people have been killed in World Cup construction accidents.

He said the rate of accidents was 15 times higher than the average. Conte said work on subway lines and stations is incomplete in Milan, Naples and Rome.

The list of works which will be unfinished by the World Cup include parking areas at the Turin airport and near the Rome and Florence stadiums, as well as new

roads in Bari, Palermo, Rome and Verona.

In Verona, where Uruguay, Belgium, Spain and South Korea will play in Group-B, work on an underpass was blocked after diggers found archaeological important remains.

A parking lot in Florence won't be finished because residents opposed to the construction have taken the case to court.

Conte said that 5.4 billion lire (\$4.5 billion) has been invested in public works so far and that a final report on the state of works and expenditure will be delivered by the end of May.

SCOREBOARD

BASKETBALL

NBA Standings

EASTERN CONFERENCE

Atlantic Division

Team	W	L	Pct.	GB
Philadelphia	38	24	.611	—
New York	36	26	.577	2 1/2
Washington	34	28	.548	4 1/2
Orlando	27	35	.438	11 1/2
Charlotte	17	45	.273	21 1/2

Central Division

Team	W	L	Pct.	GB
Detroit	34	21	.615	—
Chicago	32	23	.583	2 1/2
Indiana	31	24	.563	3 1/2
Atlanta	29	26	.524	5 1/2
Memphis	27	28	.491	7 1/2
San Antonio	27	28	.491	7 1/2

Western Conference

Midwest Division

Team	W	L	Pct.	GB
Utah	32	23	.583	—
San Antonio	31	24	.563	1 1/2
Portland	30	25	.545	2 1/2
Denver	29	26	.524	3 1/2
Los Angeles	27	28	.491	5 1/2
Phoenix	27	28	.491	5 1/2

Pacific Division

Team	W	L	Pct.	GB
LA Lakers	34	21	.615	—
Portland	32	23	.583	2 1/2
Seattle	31	24	.563	3 1/2
Golden State	29	26	.524	5 1/2
San Diego	27	28	.491	7 1/2

THURSDAY'S RESULTS

Team	W	L	Pct.	GB
Philadelphia	38	24	.611	—
New York	36	26	.577	2 1/2
Washington	34	28	.548	4 1/2
Orlando	27	35	.438	11 1/2
Charlotte	17	45	.273	21 1/2

HOCKEY

NHL Playoffs

DIVISION SEMIFINALS

(Series are best of 7 games.)

New York Rangers lead New York Islanders 3-1.

Washington and New Jersey tied 2-2.

Adams Division

Buffalo and Montreal tied 2-2.

THURSDAY'S RESULTS

Philadelphia 5, New York 1.

Washington 4, New Jersey 1.

Adams Division

Buffalo 3, Montreal 2.

St. Louis won series 4-1.

San Jose won series 4-1.

Los Angeles won series 4-1.

Calgary won series 4-1.

Edmonton won series 4-1.

Winnipeg won series 4-1.

Manitoba won series 4-1.

Regina won series 4-1.

Saskatoon won series 4-1.

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

Team	W	L	Pct.	GB
New York	38	24	.611	—
Boston	36	26	.577	2 1/2
Toronto	34	28	.548	4 1/2
Seattle	27	35	.438	11 1/2
Los Angeles	17	45	.273	21 1/2

West Division

Team	W	L	Pct.	GB
Chicago	34	21	.615	—
California	32	23	.583	2 1/2
Oakland	31	24	.563	3 1/2
Minnesota	29	26	.524	5 1/2
Kansas City	27	28	.491	7 1/2

NATIONAL LEAGUE

East Division

Team	W	L	Pct.	GB
Chicago	34	21	.615	—
Pittsburgh	32	23	.583	2 1/2
St. Louis	31	24	.563	3 1/2
Atlanta	29	26	.524	5 1/2
New York	27	28	.491	7 1/2

West Division

Team	W	L	Pct.	GB
San Francisco	34	21	.615	—
Los Angeles	32	23	.583	2 1/2
San Diego	31	24	.563	3 1/2
Arizona	29	26	.524	5 1/2
Colorado	27	28	.491	7 1/2

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Team	W	L	Pct.	GB
Chicago	34	21	.615	—
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